Australia's Audiovisual Markets

Key statistics on Australia's
cinema, video, television
and interactive media markets

1st edition 2004,
updated 2005

A 'Get the Picture' publication

Australian Film Commission

Sydney · Brisbane · Canberra · Melbourne

Australian Film Commission
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Australia

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AUSTRALIA'S AUDIOVISUAL MARKETS
Key statistics on Australia's cinema, video, television and interactive media markets
1st edition 2004, updated 2005

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COVER CREDITS:

Back Cover:

Hugo Weaving as Agent Smith in *The Matrix Revolutions*.
Courtesy: Roadshow Entertainment

Zion in *The Matrix Revolutions*. Courtesy: Roadshow Entertainment

Front Cover:

Background:

Onesheet Artwork, *The Matrix Revolutions*. Courtesy: Roadshow Entertainment

Cane Toads: An Unnatural History. Courtesy: Film Australia

Toni Collette as Sandy Edwards and Gotaro Tsunashima as Tachibana Hiromitsu in *Japanese Story*. Courtesy: Gecko Films

Thumbnails (down):

Gina Riley (left) as Kim Craig nee Day and Jane Turner as Kath Day-Knight in *Kath and Kim*. Courtesy: Riley Turner Productions and ABC TV.

Heath Ledger as Ned Kelly in *Ned Kelly*. Photographer: Carolyn Johns.
Courtesy: Working Title Australia

Tianna Sansbury as Daisy, Laura Monaghan as Gracie and Evelyn Sampi as Molly Craig in *Rabbit Proof Fence*. Courtesy: Jabal Films Pty Ltd

Anthony LaPaglia as Simon Reilly and David Wenham as Jim Doyle in *The Bank*.
Courtesty: ArenaFilm

Yakkity Yak. Courtesy: Kapow Pictures

Foreground:

Bryan Brown as Barry in *Dirty Deeds*. Courtesy: New Town Films

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Credits

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Stills: Carolyn Haywood

Index: Madeleine Davis

COMMENTATORS

Sandy George has been writing about the business of film and television for about 15 years. She is Australian correspondent for the European titles *Screen International*/ www.screendaily.com and *Channel 21*/ www.c21media.net.

Garry Maddox is the film writer for the *Sydney Morning Herald*. He has written numerous film, television and video industry reports and is also a former policy manager for the Australian Film Finance Corporation and editor of *Encore* magazine.

Bob Peters is a Director of Global Media Analysis Pty Ltd, a specialist financial and strategic consultancy to the media, entertainment, telecommunications and technology industries. He was previously a Director of Corporate Finance with the ANZ Investment Bank for which he continues to act on a consultancy basis.

EDITORS

Rosemary Curtis has managed AFC Research and Information since 1990, overseeing six editions of *Get the Picture*. Between 1978 and 1988, Rosemary worked as Librarian at the Australian Film, TV and Radio School. In 2001 she received the Communications Research Award for outstanding contribution to communications research.

Cathy Gray became the Manager, Publishing and Communications, for the AFC in 2005. Formerly a freelance writer and editor, she has edited the last three editions of *Get the Picture*. She has a particular interest in information design and was managing editor for the Australian Consumers' Association, publisher of CHOICE magazine from 1988 to 1994.

DESIGNER

Alison White has over 20 years experience in corporate and technical publishing. Her company, Alison White Designs Pty Limited, has particular expertise in single-source publishing for print and web.

About this book

Australia's Audiovisual Markets is the first of a new series of publications which draw key data from Get the Picture Online, the Australian Film Commission's comprehensive web-based statistics collection. A second volume in the series is due to be published in 2006, covering the production industry, release success of Australian productions, and audiovisual trade.

Get the Picture began life as a reference book, and served as the main source of statistics on Australian screen industries both here and overseas from its first edition in 1989 until 2002, when the sixth edition was also produced as a 500+ page website – Get the Picture Online.

Online publication has since allowed this very extensive range of data to be kept up to date and made available very quickly, with pages revised as soon as possible once new information is released. It is heavily used, registering more than 300,000 page hits per year.

This in turn has enabled the development of a new kind of print publication. Freed from the need to provide detailed tables and lists, the new 'Get the Picture' series will focus on snapshots of the most recent data, combined with graphic representation of longer-term trends.

The first volume, *Australia's Audiovisual Markets*, contains data from the 'What Australians are watching' section of Get the Picture Online. It provides analysis from industry commentators Sandy George (cinema exhibition and distribution), Garry Maddox (video), and Bob Peters (free-to-air TV) as well as statistics from a wide range of sources, including the Motion Picture Distributors Association (MPDAA), Australian Bureau of Statistics, OzTAM, ACNielsen, Australian Communications and Media Authority, Digital Broadcasting Australia, and the Australian Film Commission's own research. It describes industry structures and reports on key industry indicators from gross box office, sales data and industry financial performance to employment, top-performing titles and audience demographics.

The past few years have seen significant shifts in Australia's audiovisual markets, with DVDs proving an overwhelming success with Australian consumers, the introduction of digital TV – both free-to-air and pay – and heavy promotion of broadband media to Australian households. Other technological developments are waiting in the wings, from digital cinema to 'personal video recorders' and fourth generation mobile phones.

We hope the combination of detailed data available in Get the Picture Online and the unique perspective provided by this new publication will help throw light on the patterns emerging in Australia's audiovisual industries.

About this book

Australian snapshot

	'00	'01	'02	'03	'04
Population	19.1m	19.4m	19.7m	20.0m	20.2m
GDP	$692,889m	$707,140m	$734,575m	$758,147m	$789,170m
GDP per capita	$36,380m	$36,674m	$37,614m	$38,374m	$39,455m
No. cinema admissions (est.)	82m	93m	93m	90m	92m
Gross box office	$690m	$812m	$845m	$866m	$907m
Retail DVD sales	$49m	$141m	$398m	$706m	$925m
Retail video sales	$174m	$174m	$155m	$112m	$53m
Retail games sales (software)	$254m	$295m	$372m	$441m	$536m
Homes with a TV	>99%	>99%	>99%	>99%	>99%
... with digital TV				3.5%	11%
... with pay TV	19%	21–22%	21–22%	22–23%	22-23%
Homes with a VCR	87%	88%	89%	87%	86%
... with a DVD player			24%	43%	62%
Homes with a computer	3.8m	4.3m	4.6m (61%)	67%	n.a.
... with Internet access	2.3m	3.1m	3.4m (46%)	4.0 (53%)	n.a.
... with broadband Internet access	n.a.	n.a.	n.a.	0.49m (6.5%)	n.a.
Total Internet subscribers	3.85m	4.28m	4.55m	5.21m	5.74m
AUDIOVISUAL PRODUCTION*					
No. Australian/co-pro feature films	27	24	26	18	17
... production spend in Australia	$129m	$102m	$156m	$62m	$118m
No. foreign feature films	2	5	7	5	7
... production spend in Australia	$78m	$114m	$185m	$162m	$249m
Hours of Australian TV drama	687	782	657	638	583
... production spend in Australia	$234m	$235m	$207m	$214m	$189m
Hours of foreign/co-pro TV drama	108	94	108	64	55
... production spend in Australia	$132m	$158m	$114m	$68m	$40m
Hours of Aust/co-pro documentaries	47	270	214	201	n.a
... production value	$68m	$55m	$49m	$51m	n.a
AUDIOVISUAL TRADE*					
Total royalties paid for imports	$683m	$634m	$727m	$680m	$717m
Total royalties earned for exports	$175m	$1226m**	$80m	$152m	$164m
Balance of royalty trade	-$508m	$592m	-$647m	-$528m	-$553

Sources: Australian Bureau of Statistics (ABS), Motion Picture Distributors Association of Australia (MPDAA), OzTAM, Digital Broadcasting Australia (DBA), GfK Marketing Services, Australian Film Commission (AFC)

Note: * Australian audiovisual production and audiovisual trade are covered in the second volume of the Get the Picture series, due early 2006. See also Get the Picture Online 'What Australians are making' and 'Australia and the world' (www.afc.gov.au/gtp). This data applies to fiscal years.
n.a. not available
** Includes royalty earnings by the Sydney Organising Committee of the Olympic Games (SOCOG).

1

Cinema industry

According to the Australian Bureau of Statistics, the cinema continues to be the most popular cultural venue for Australians.

In 2002, 70 per cent of Australians aged 18 years and over went to the cinema at least once during the year – over 10 million people when extrapolated to the Australian population. This was 66 per cent higher than the rate of attendance for the second most popular cultural venue, libraries (6 million people), and represents an increase of almost 10 per cent (0.9 million people) on the figure for 1999. By comparison 48 per cent of Australians (around 7 million people) went to a sporting event in 2002.

Fast facts

	'01	'02	'03	'04
NO. OF CINEMA SCREENS	1,855	1,872	1,907	1,909
NO. OF CINEMA ADMISSIONS (EST.)	93m	93m	90m	91.5m
AVERAGE TICKET PRICE	$8.78	$9.13	$9.64	$9.92
TOP TICKET PRICE	$13.50	$14.00	$14.50	$15.80
GROSS BOX OFFICE	$812m	$844.8m	$865.8m	$907.2m
AUSTRALIAN SHARE OF BOX OFFICE	$64m (8%)	$42m (5%)	$30m (3.5%)	$11.9m (1.3%)
TOP FILM AT BOX OFFICE	Shrek	Star Wars Ep.2: Attack of the Clones	Finding Nemo	Shrek 2
TOP AUSTRALIAN FILM	Moulin Rouge	Crackerjack	Ned Kelly (Aust/UK)	Strange Bedfellows

Source: MPDAA

Cinema exhibition & distribution in Australia

THE PLAYERS IN EXHIBITION

There are three cinema chains in Australia with more than 200 screens each. Together they account for more than 1,000 screens or over half the national total, and generate around 70 per cent of the national box office. These chains are:

- Greater Union (GU) and its subsidiary Birch Carroll & Coyle (BCC), the latter operating mainly in Queensland
- Village
- Hoyts.

Both Greater Union and Birch Carroll & Coyle are owned by Amalgamated Holdings, Village by Village Roadshow Ltd, and Hoyts by Kerry Packer's Consolidated Press Holdings. Screen ownership is not straightforward, however. In 1988 Village Roadshow Ltd and Amalgamated Holdings joined forces with the US-owned major Warner Bros to drive business forward by constructing large modern multiplexes. They built 319 screens at 29 sites, using the Village name in Victoria, and the two brands owned by Amalgamated Holdings, BCC and GU, in Queensland and the remaining states respectively. Warner Bros bowed out of this arrangement in early 2003, selling its $100 million one-third interest to its two partners.

Hoyts, the other 'major' in the local exhibition scene, also spent millions of dollars constructing new screens over the same period.

Several medium-sized operators have also emerged, most notably:

- Reading, owned by a subsidiary of the US exhibitor Reading, with 130 screens in 2004
- arthouse circuit Palace, half-owned by Village Roadshow Ltd, with 50 screens.

There are also many small cinema operators.

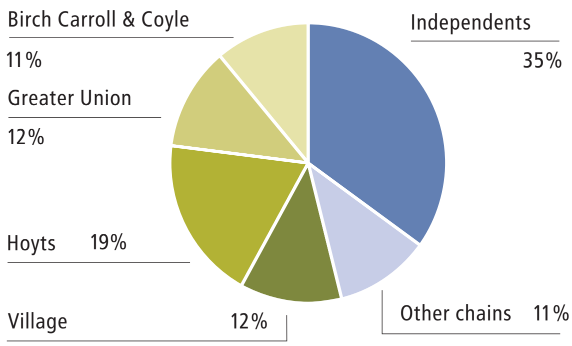
FUTURE HIGH GROWTH REQUIRES CLEVER THINKING

No longer able to rely on new screens coming on line in new areas to deliver growth, exhibitors are looking to get more out of existing audiences and catchment areas. The overall aim is to make cinema-going an important part of people's lives. Providing loyalty discounts encourages people to go more often, for example, and building stronger relationships with schools and community groups can bring big benefits.

Exhibitors are constantly trying to maximise attendances by modifying the behaviour of their clientele. Offering seniors cheaper tickets during the day, for example, keeps them away from busy evening sessions. Some distributors also believe that adding a layer of specialist arthouse screens in the suburbs could bring growth. The range of product shown in multiplexes is becoming more and more diverse but audiences still have to travel long distances to specialist cinemas to see films that are markedly different.

The business of distributing and exhibiting films in Australia is dominated by a few key players.

COMMERCIAL SCREENS BY EXHIBITOR 2004



Source: MPDAA
Notes: Includes drive-ins.

Cinema exhibition & distribution in Australia

PHOTO CREDITS

Above:
THE MAN WHO SUED GOD
Billy Connolly as *Steve Myers*
Courtesy:
View Films Pty Ltd

Increasingly, the game is about each company carving out a bigger share of revenue for themselves. Anecdotal evidence suggests that competition between players has never been so ruthless.

THE PLAYERS IN DISTRIBUTION

Cinemas hire films from distributors. The biggest locally owned distributor, Roadshow Film Distributors, is jointly owned by key exhibition players Amalgamated Holdings and Village Roadshow Ltd. Roadshow handled six of the top 10 hits in 2002 (including four Warner Bros titles), four in 2003 and three in 2004 – an outstanding result. The six films in 2002 together took about $175 million of the nearly $845 million spent on cinema tickets throughout the year.

Most of the biggest box office hits are large-budget films made by the Hollywood studios. Roadshow has a long-standing arrangement to distribute pictures made by Warner Bros – many of them made under a production joint venture between Warner Bros and Village Roadshow Ltd. Other distributors include the following foreign-owned studio affiliates:

- Buena Vista International (BVI)
- Columbia TriStar (Sony from 2005)
- 20th Century Fox
- United International Pictures (UIP).

These companies and Roadshow make up the membership of the Motion Picture Distributors Association of Australia (MPDAA).

The fifth foreign-owned distributor is Icon. Mel Gibson and Bruce Davey, both of whom have strong Australian links, own the parent company.

There are many Australian distributors in addition to Roadshow, but they are smaller operations – Becker, Dendy, Hopscotch, Hoyts and Palace, for example. 2002 saw more change than usual in this middle tier of distributors: Hoyts re-entered the distribution business; Becker Group Ltd, which owns Becker and Dendy, absorbed Globe; and Newvision disappeared but its owner helped establish Hopscotch.

Smaller players to emerge include Arclight, MG Distribution, which handles Indian films, and Northbeach. They join Beyond, Footprint, Gil Scrine Films, Niche, Ocean, Potential, Ronin and Sharmill at the 'niche' end of the market. New Zealand-owned Rialto also operates in Australia at this level.

Unlike the foreign-owned distributors and Roadshow, Australian companies are not guaranteed a significant flow of films, although Hoyts handles those made under a production financing joint venture between the Nine Network and Macquarie Bank. Instead, they generally sign for films one by one. This is usually done via sales agents during various international film markets. They might buy a film off a script or once it is complete.

These distributors tend to handle movies more suited to arthouse cinemas than multiplexes aimed at mainstream audiences, although they are always hoping a title will break out into the mainstream. However, they don't have the arthouse market to themselves; the specialist divisions of the US majors also operate in this environment. The Australian companies handle the majority of Australian films.

NO. FILMS IN TOP 10 2000–2004 BY DISTRIBUTOR

Roadshow/Warner Bros	18
UIP	13
BVI	8
Columbia TriStar	7
20th Century Fox	4

Source: AFC analysis of MPDAA data

Edited extracts from 'The cinema industry in Australia: Structure and key players' by Sandy George, Get the Picture Online, www.afc.gov.au/gtp

Exhibition industry overview

BUSINESS SIZE

There were 173 businesses in the motion picture exhibition industry at the end of June 2000.

Eight had incomes of $8 million or more – the same number as at the end of June 1997. These businesses dominated the industry, accounting for 68 per cent of employment, 70 per cent of screens, 80 per cent of gross income, 74 per cent of paid admissions and 86 per cent of industry operating profit before tax.

Source: ABS, Motion Picture Exhibition Australia 1999–00 (cat. no. 8654.0).

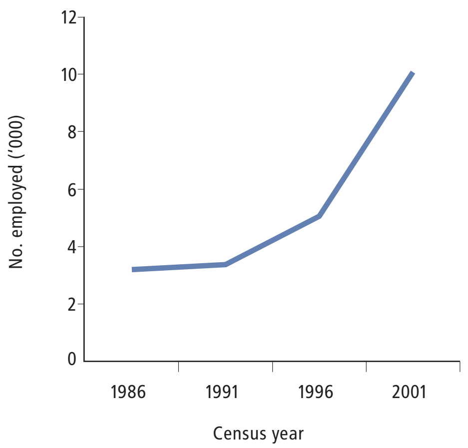
The eight largest businesses in cinema exhibition accounted for 86 per cent of industry profit in 2000.

EMPLOYMENT

Census data shows 10,079 people employed in the cinema exhibition industry in 2001, double the number indicated by the 1996 census. ABS industry surveys also indicate an increase, although not quite as sharp, from 7,739 in 1997 to 9,282 in 2000.

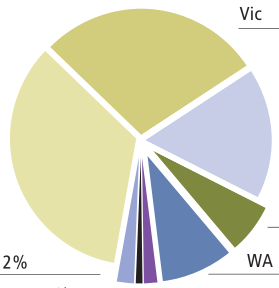
- Most are casual or part-time employees (81 per cent of total in the 2000 ABS industry survey; 65 per cent working less than 35 hours in the 2001 census).
- Most are women (2001 ABS census data 53 per cent).

EMPLOYMENT IN THE CINEMA EXHIBITON INDUSTRY



Sources: ABS Census of Population & Housing, 1986, 1991, 1996, 2001

EMPLOYMENT IN THE CINEMA EXHIBITION INDUSTRY BY STATE, 2001



Source: ABS Census of Population & Source: Census of Population & Housing, 2001.
Notes: 'State' is the person's usual residence, rather than where the person was on census night.

PHOTO CREDITS

THE BANK

Background:
David Wenham (right) as *Jim Doyle*, with Kazuhiro Muroyama as *Toshio*

Inset:
Left to right: David Wenham as *Jim Doyle*, Anthony LaPaglia as *Simon Reilly*, and Greg Stone as *Vincent*

Coutesy:
ArenaFilm Pty Ltd

Exhibition industry overview

INCOME AND EXPENDITURE

Businesses in the cinema exhibition industry generated $1,046 million in income in 1999/2000, of which $679 million (65 per cent) came from gross box office receipts. This proportion was much the same as in 1996/97, when 66 per cent of income came from this source, but is down on 1993/94 when it accounted for 70 per cent of income.

The other major source of income was the sale of food and beverages, which accounted for $176 million (17 per cent) of total income in 1999/2000, the same proportion as in 1996/97. Income from screen advertising rose by 1 per cent between 1996/97 and 1999/2000 to reach 3 per cent of the total.

The two major areas of expenditure were film hire/rental and labour costs, accounting for 29 per cent and 16 per cent of total costs respectively.

Film hire costs in 1999/2000 were $268.2 million, representing film hire per paid admission of $3.40 compared to $2.90 in 1996/97.

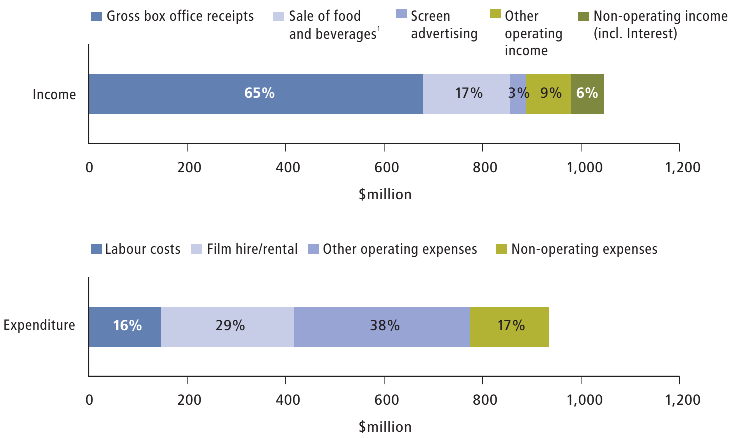
Labour costs in 1999/2000 were $148.5 million, representing an average labour cost per employee of $16,100, unchanged since 1996/97. As a proportion of total expenses, wages and salaries fell from 16 per cent in 1996/97 to 14 per cent in 1999/2000.

PHOTO CREDITS

Above:
CANE TOADS:
AN UNNATURAL HISTORY

Courtesy:
Film Australia

SNAPSHOT 1999/00:
INCOME AND EXPENDITURE FOR BUSINESSES IN THE EXHIBITION INDUSTRY



Source:
ABS, Motion Picture Exhibition Australia 1999–00 (cat. no. 8654.0)

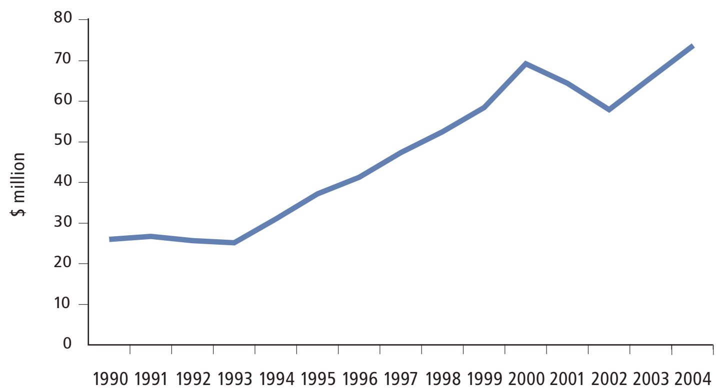
Notes:
'Non-operating income' includes income from interest, dividends and royalties, and franchise income.

'Other operating expense' includes other rent (land, buildings etc.), leasing and hiring expenses; repair and maintenance expenses; motor vehicle running expenses; advertising; cleaning services; marketing; telephones; electricity, gas and water charges.

CINEMA ADVERTISING

Cinema accounted for 0.8 per cent of total advertising expenditure in Australia in 2004 ($74 million), compared to 36 per cent ($3.3 billion) for total TV.

Source:
Commercial Economic Advisory Service of Australia (CEASA)

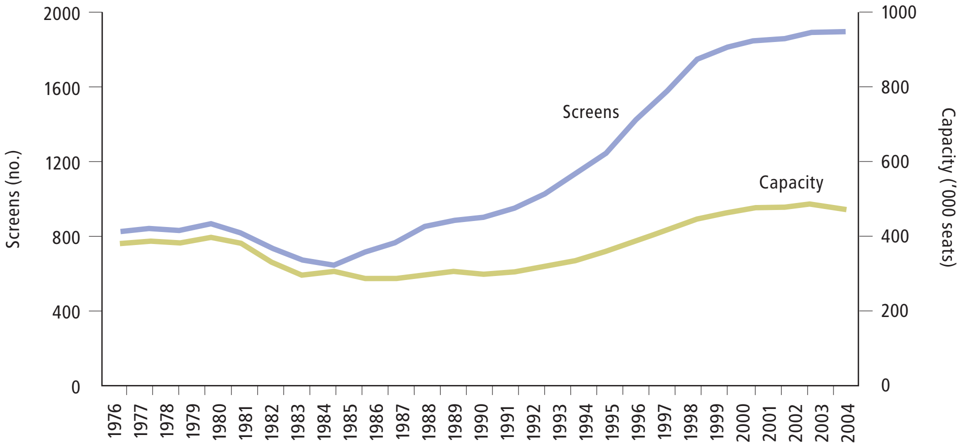


Screens & theatres

The number of cinema screens in Australia has risen by 130 per cent since 1980. Growth was particularly strong in the three years to 1999, when screen numbers rose by 150 to 175 per year. In contrast, only 17 screens were added in 2002, 35 in 2003 and only one in 2004. In total, there were 1,909 screens operating at the end of 2004.

The number of theatre sites in Australia has altered little since an initial decrease in the early 1980s, with many small cinemas closing down or being converted to multiple-screen theatres.

There were 1,909 cinema screens operating in Australia in 2004.

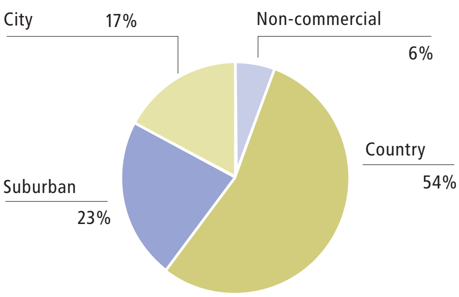


Source: Motion Picture Distributors Association of Australia (MPDAA)
Notes: Includes drive-ins, as well as 'non-commercial' screens not generally open to the public, such as those at army, naval and airforce bases, mining camps, film societies, colleges and universities.

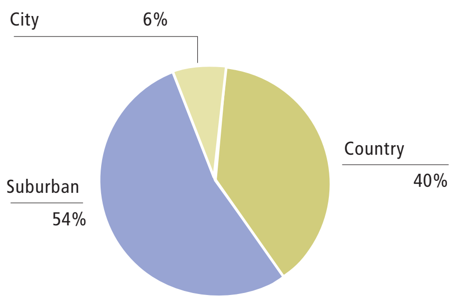
... BY TYPE OF LOCATION

The number of suburban screens has seen a six-fold increase since 1985, from 167 to 1,030. At the same time the number of screens in the city has remained relatively constant at around 110–130 and numbers in the country have almost doubled, from 406 to 771. 54 per cent of screens are now in the suburbs, compared to 23 per cent in 1985.

SCREENS BY LOCATION 1985



SCREENS BY LOCATION 2004



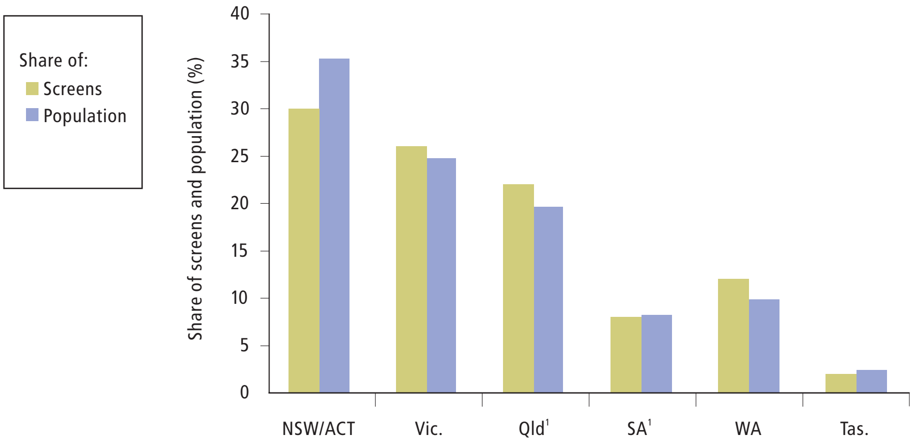
Source: MPDAA
Notes: Includes drive-ins.
'City' includes capital city centre major and independent cinemas.
'Non-commercial' refers to cinemas not generally open to the public such as those at army, naval and airforce bases, mining camps, film societies, colleges and universities.

Screens & theatres

... BY STATE

The state share of cinema screens is similar to the state share of population, with 30 per cent of screens in NSW/ACT, 27 per cent in Victoria and 21 per cent in Queensland. State box office share shows a similar pattern, with NSW accounting for 32 per cent, Victoria for 23 per cent and Queensland 19 per cent. The shares have remained relatively static over the past seven years.

STATE SHARES 2004



Source: MPDAA; population data as of December 2003 from ABS.
Notes: Includes drive-ins, as well as 'non-commercial' screens not generally open to the public, such as those at army, naval and airforce bases, mining camps, film societies, colleges and universities.
[1]Includes Northern Territory (allocated between Queensland and South Australia based on the head office location of the theatre owner).

PHOTO CREDITS

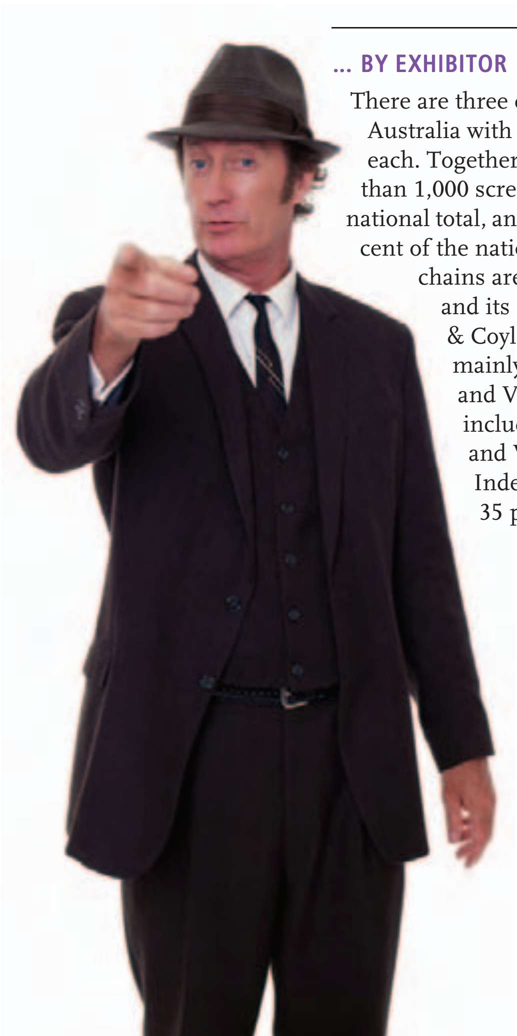
DIRTY DEEDS

Below:
Bryan Brown as *Barry*

In the graveyard:
Sam Neil as *Ray*, John Goodman as *Tony*, and Bryan Brown as *Barry*

Photographer:
Lisa Tomasetti

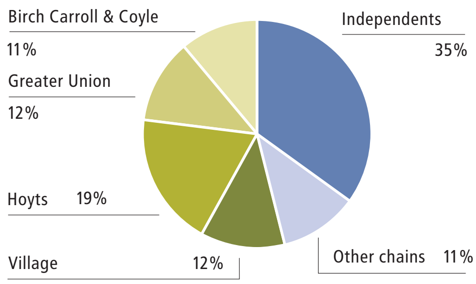
Courtesy:
New Town Films



... BY EXHIBITOR

There are three cinema chains in Australia with more than 200 screens each. Together they account for more than 1,000 screens or over half the national total, and generate around 70 per cent of the national box office. These chains are Greater Union (GU) and its subsidiary Birch Carroll & Coyle (BCC, which operates mainly in Queensland), Hoyts, and Village. Other chains include Reading, Palace and Wallis Theatres. Independents account for 35 per cent of screens.

COMMERCIAL SCREENS BY EXHIBITOR 2004



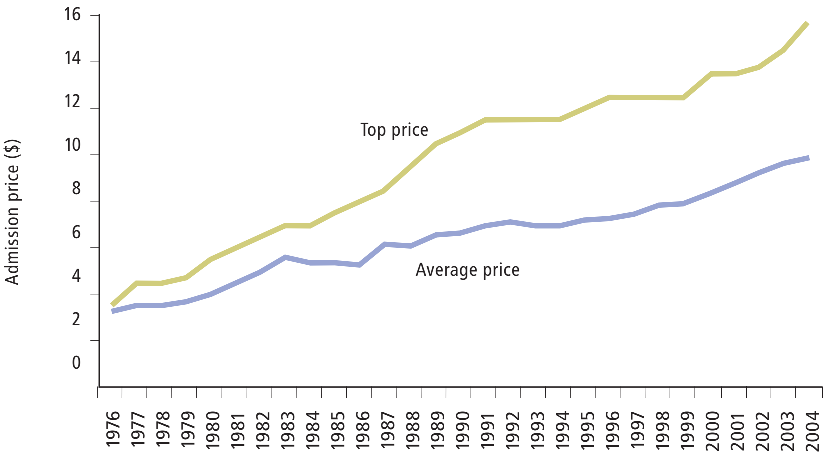
Source: MPDAA

Cinema box office

TICKET PRICES

The top price for a cinema ticket in Australia in 2004 was $15.80, up from $14.50 the year before; the average price was $9.92, up from $9.64. The jump between 1999 and 2000 from a top price of $12.50 to $13.50 coincided with the introduction of the 10 per cent Goods and Services Tax (GST).

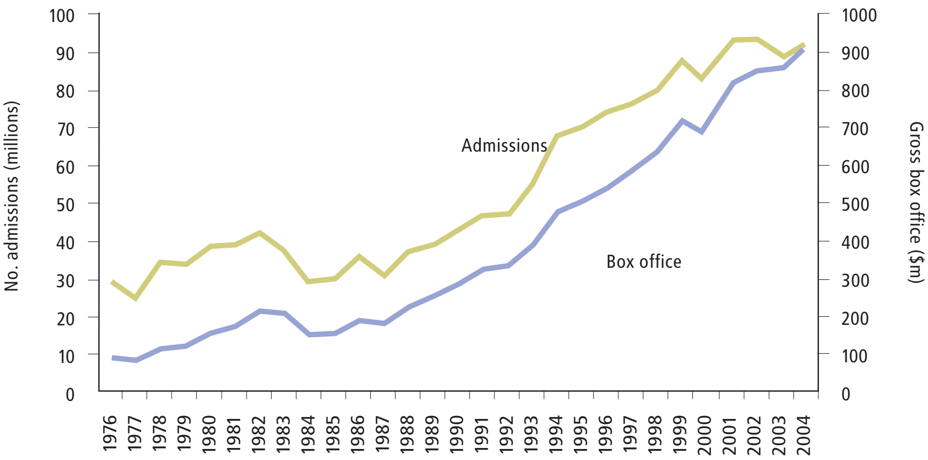
Gross Australian box office for 2004 was $907.2 million.



Source: MPDAA estimates

BOX OFFICE AND ADMISSIONS

Gross box office reached $907.2 million in 2004, having risen every year since 2000, when audiences were distracted by both the introduction of the GST and the Sydney Olympic Games. Admission numbers (based on MPDAA estimates) also rose in 2004 to 91.45 million, recovering slightly from a fall from 92.5 million in 2002 to 89.8 million in 2003.



Source: MPDAA estimates

Cinema box office

PHOTO CREDITS

Above:
LANTANA

Anthony LaPaglia as *Leon Zat* and Kerry Armstrong as *Sonja Zat*

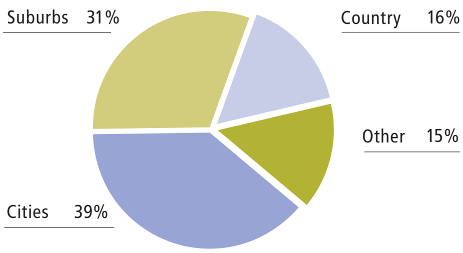
Photograpy:
Elise Lockwood

Courtesy:
Jan Chapman Films

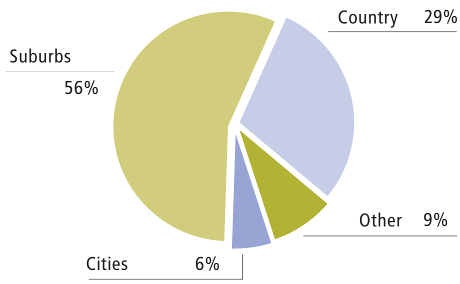
... BY TYPE OF LOCATION

As the number of screens in suburban locations has increased dramatically, so has the suburban share of gross box office, from 31 per cent in 1988 to 56 per cent in 2004. The country share has also grown, from 16 per cent to 29 per cent, while the share taken by city cinemas has dropped from 39 per cent to just 6 per cent.

BOX OFFICE BY LOCATION 1988



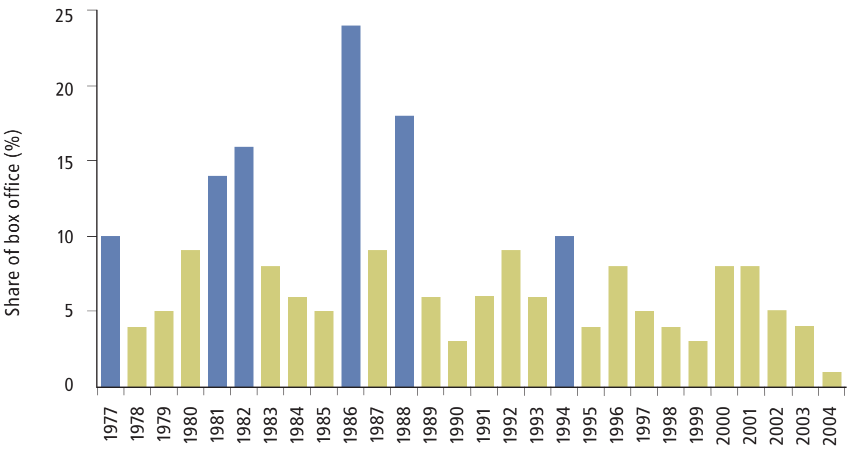
BOX OFFICE BY LOCATION 2004



Source: MPDAA

... AUSTRALIAN SHARE

Australian films have earned 5.2 per cent of the box office ($413 million out of a total of 7,940 million) in the past 12 years. Only once in that period did the Australian share reach 10 per cent: in 1994, with the success of *The Adventures of Priscilla, Queen of the Desert* and *Muriel's Wedding*. 2001 saw a record $63.5 million earned by local films, including *Moulin Rouge*, *Lantana*, *The Man Who Sued God* and *Crocodile Dundee in LA*, but this represented only 8 per cent of the total box office that year. The Australian share dropped to 1.3 per cent ($11.9 million) in 2004, when only 16 Australian films were released, compared to an average of 24 per year between 1997 and 2003.



THE YEARS WHERE AUSTRALIAN FILMS GAINED AT LEAST 10 PER CENT OF THE LOCAL BOX OFFICE (AND THE FILMS RESPONSIBLE) WERE:

1977	Caddie, The Last Wave, Eliza Frazer, The Mango Tree
1981	Gallipoli, Mad Max 2, Puberty Blues
1982	The Man from Snowy River, The Year of Living Dangerously
1986	Crocodile Dundee
1988	Crocodile Dundee II, The Man from Snowy River II
1994	The Adventures of Priscilla, Queen of the Desert; Muriel's Wedding

Source: Compiled by the Australian Film Commission, based on MPDAA data.

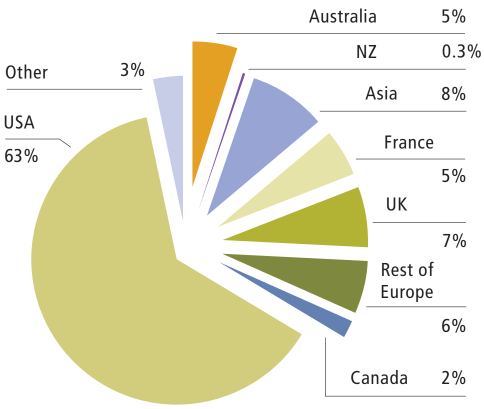
Films screened

... BY COUNTRY OF ORIGIN

The vast majority (64 per cent) of the films screened in Australian cinemas over the past 21 years have come from the USA, and 2004 saw 200 US titles out of a total of 318 (63 per cent). Local titles comprised 5 per cent of films screened in 2004, half the 20-year average (10 per cent).

The US dominance is even greater when it comes to box office. US films have earned 84 per cent of the gross Australian box office since 1990 (86 per cent in 2004).

ORIGIN OF FILMS SCREENED 2004



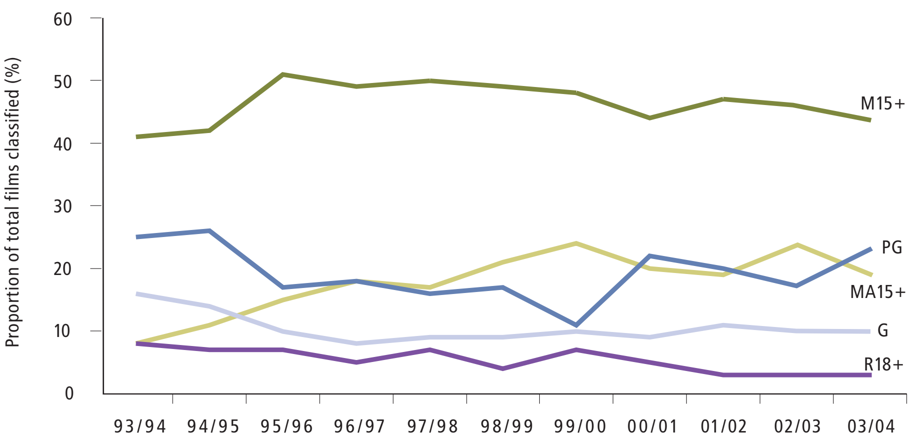
Source: AFC analysis of MPDAA data
Notes: MPDAA figures for Australian films released in Australian cinemas include some shorts and documentaries.

Most films screened in Australian cinemas originate in the USA, with local titles averaging 10 per cent over the last 20 years.

... BY CLASSIFICATION

Around half the films classified by the Office of Film and Literature Classification since 1993/94 have been M15+ (recommended for mature audiences 15 years and over); the proportion was 44 per cent in 2003/04. The proportion of films classified MA15+ (with restrictions applying to under-15s) has increased over the period, from 8 per cent in 1993/94 to 19 per cent in 2003/04. G and PG classifications have fallen slightly, accounting for 10 per cent and 23 per cent of classifications respectively in 2003/04.

FILMS BY CLASSIFICATION AS A PERCENTAGE OF TOTAL FILMS CLASSIFIED



Source: Office of Film and Literature Classification annual reports.

CLASSIFICATION CATEGORIES: G, PG AND M ARE ADVISORY CATEGORIES; MA AND R ARE LEGALLY RESTRICTED.	
G	General (suitable for all ages)
PG	Parental Guidance (parental guidance recommended for persons under 15 years)
M15+	Mature (recommended for mature audiences 15 years and over)
MA15+	Mature Accompanied (restrictions apply to persons under the age of 15)
R18+	Restricted (restricted to adults 18 years and over)

Top films

Australian titles listed in bold

The top 10 films have accounted for 27–30 per cent of the total Australian box office over the past four years.

2001

Rank	Title	Distributor	Release date	Box office ($)[1]
1	Shrek	UIP/Universal	21 Jun 2001	32,045,840
2	Harry Potter & the Philosopher's Stone	Warner Bros	29 Nov 2001	31,265,680
3	**Moulin Rouge**	**Fox**	**24 May 2001**	**27,431,931**
4	What Women Want	Roadshow	8 Jan 2001	22,533,750
5	Bridget Jones's Diary	UIP/Universal	26 Jul 2001	22,404,421
6	Cast Away	UIP/Universal	18 Jan 2001	20,261,501
7	Miss Congeniality	Roadshow	15 Mar 2001	20,049,198
8	Pearl Harbor	BVI	7 Jun 2001	18,773,007
9	The Mummy Returns	UIP/Universal	10 May 2001	18,204,297
10	Cats and Dogs	Roadshow	20 Sep 2001	16,560,693

The top Australian film in 2002 was Crackerjack at no. 30 ($7,703,151)

2002

Rank	Title	Distributor	Release date	Box office ($)[1]
1	Star Wars Episode 2: Attack of the Clones	Fox	16 May 2002	33,811,334
2	Lord of the Rings: Fellowship of the Ring		26 Dec 2001	31,928,267
3	Spider-Man	Columbia	6 June 2002	30,815,910
4	Harry Potter and the Chamber of Secrets	Warner Bros	28 Nov 2002	30,339,888
5	My Big Fat Greek Wedding	Roadshow	24 Oct 2002	23,978,406
6	Ocean's 11	Roadshow	10 Jan 2002	22,234,443
7	Ice Age	Fox	21 Mar 2002	20,488,513
8	A Beautiful Mind	UIP/Universal	7 Mar 2002	19,792,193
9	Austin Powers in Goldmember	Roadshow	19 Sept 2002	19,372,022
10	Scooby-Doo	Warner Bros	20 June 2002	18,213,909

PHOTO CREDITS

Above:
RABBIT PROOF FENCE
Everlyn Sampi (left) as *Molly Craig* and Laura Monaghan as *Gracie*
Courtesy:
Jabal Films Pty Ltd

PHOTO CREDITS

Right:
THE LORD OF THE RINGS: THE RETURN OF THE KING (DVD)
Sean Astin as *Samwise Gamgee*
Courtesy:
Roadshow Entertainment

2003

Rank	Title	Distributor	Release date	Box office ($)[1]
1	Finding Nemo	BVI	28 Aug 2003	37,134,608
2	The Matrix Reloaded	Roadshow	16 May 2003	33,624,930
3	Lord of the Rings: The Two Towers	Roadshow	26 Dec 2002	28,078,985
4	Pirates of the Caribbean	BVI	11 Sep 2003	25,123,519
5	Bruce Almighty	BVI	19 Jun 2003	20,471,485
6	Terminator 3: Rise of the Machines	Columbia	17 Jun 2003	19,098,385
7	Chicago	BVI/Miramax	23 Jan 2003	19,005,615
8	Lord of the Rings: Return of the King	Roadshow	26 Dec 2003	18,986,440
9	Charlie's Angels: Full Throttle	Columbia	3 Jul 2003	18,895,789
10	The Matrix Revolutions	Roadshow	6 Nov 2003	17,958,057

The top Australian film in 2003 was the Aust/UK co-production Ned Kelly at no. 26 ($8,364,811).

2004

Rank	Title	Distributor	Release date	Box office ($)[1]
1	Shrek 2	UIP	17 Jun 2004	50,345,252
2	Lord of the Rings: The Return Of The King	Roadshow	26 Dec 2003	49,369,294
3	Harry Potter and the Prisoner of Azkaban	Warner Bros	10 Jun 2004	33,135,758
4	Meet The Fockers	UIP	26 Dec 2004	27,463,947
5	Spider-Man 2	CTS	30 Jun 2004	24,394,233
6	Troy	Warner Bros	13 May 2004	23,703,158
7	The Incredibles	BVI	26 Dec 2004	23,440,811
8	The Day After Tomorrow	Fox	27 May 2004	20,229,116
9	Love Actually	UIP	26 Dec 2003	18,726,738
10	Bridget Jones: The Edge of Reason	UIP	11 Nov 2004	18,241,435

Source: MPDAA

Notes: [1] Last reported box office, 1 January to 31 December each year.

The top Australian film in 2004 was Strange Bedfellows at no. 61 ($4,816,495).

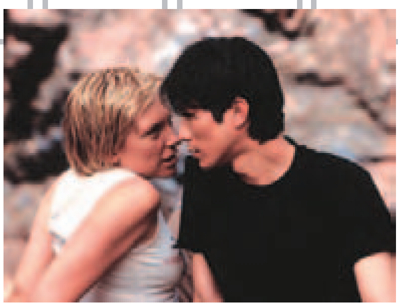


PHOTO CREDITS

Two photos at left:
JAPANESE STORY

Toni Collette as *Sandy Edwards* and Gotaro Tsunashima as *Tachibana Hiromitsu*

Courtesy:
Gecko Films

Top films

PHOTO CREDITS

Above:
NED KELLY (Aust/UK)
Heath Ledger as *Ned*
Photograper:
Carolyn Johns
Courtesy:
Working Title Australia

TOP 10 FILMS OF ALL TIME

Rank	Title	Distributor	Release date	Box office ($)
1	Titanic	Fox	18 Dec 1997	57,644,334
2	Shrek 2	UIP	17 June 2004	50,345,252
3	Lord of the Rings: The Return of the King	Roadshow	26 Dec 2003	49,369,294
4	**Crocodile Dundee**	**Hoyts**	**30 Apr 1986**	**47,707,045**
5	Lord of the Rings: The Fellowship of the Ring	Roadshow	26 Dec 2001	47,000,019
6	Lord of the Rings: The Two Towers	Roadshow	26 Dec 2002	45,652,342
7	Harry Potter and the Philosopher's Stone	Warner Bros	29 Nov 2001	42,313,847
8	Star Wars Episode 1: The Phantom Menace	Fox	3 Jun 1999	38,828,310
9	Finding Nemo	BVI	28 Aug 2003	37,394,203
10	Harry Potter and the Chamber of Secrets	Warner Bros	28 Nov 2002	37,376,558
There are five Australian films in the all-time top 50 (see table below).				

Source: MPDAA; as at 10 August 2005, Australian films listed in bold.

TOP 10 AUSTRALIAN FILMS OF ALL TIME

Rank	Title	Distributor	Release date	Box office ($)[1]
1	Crocodile Dundee	Hoyts	1986	47,707,045
2	Babe	UIP/Universal	1995	36,776,544
3	Moulin Rouge	Fox	2001	27,711,638
4	Crocodile Dundee II	Hoyts	1988	24,916,805
5	Strictly Ballroom	Ronin	1992	21,760,400
6	The Dish	Roadshow	2000	17,990,148
7	The Man from Snowy River	Hoyts	1982	17,228,160
8	The Adventures of Priscilla, Queen of the Desert	Roadshow	1994	16,459,245
9	Muriel's Wedding	Roadshow	1994	15,765,571
10	Young Einstein	Warner Bros	1988	13,383,377

Source: MPDAA; as at 6 September 2005.

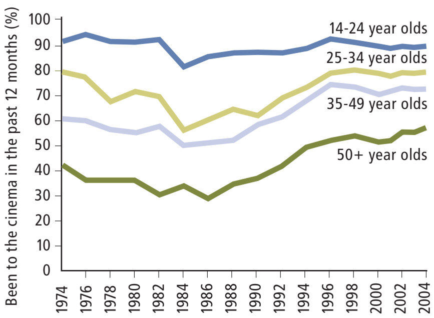
AUSTRALIAN FILMS IN TOP 50 EACH YEAR

	No. films	Titles
1994	* * *	The Piano, Reckless Kelly, The Heartbreak Kid
1995	* * * * *	The Adventures of Priscilla, Queen of the Desert; Muriel's Wedding, The Sum of Us, Lightning Jack, Sirens (Aus/UK)
1996	* *	Babe, Shine
1997	*	The Castle
1998	*	Babe: Pig in the City
1999	* *	Two Hands, The Craic
2000	* * * *	The Dish, The Wog Boy, Looking for Alibrandi, Chopper
2001	* * * *	Moulin Rouge, Lantana, The Man Who Sued God, Crocodile Dundee in LA
2002	* * *	Crackerjack, Rabbit Proof Fence, Dirty Deeds
2003	*	Ned Kelly (Aust/UK)
2004		–

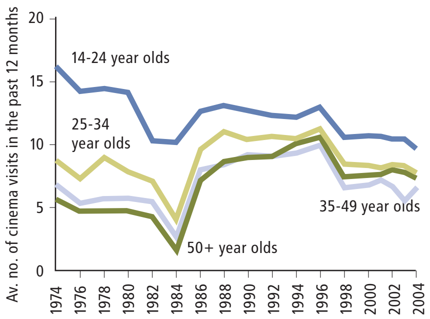
Source: MPDAA

Cinema audiences

ATTENDANCE RATE



ATTENDANCE FREQUENCY



Cinema-going remains most popular among people in the 14–24 age-group.

Source: Val Morgan & Co (Aust) Pty Ltd/Roy Morgan Research Centre, © Val Morgan & Co (Aust) Pty Ltd. Data may only be reproduced with permission.
Notes: Average annual frequency figures are estimates, based on data for frequency of attendance over a three-month period. The method for calculating annual estimates was adjusted between 1996 and 1998.

According to data from the Roy Morgan Research Centre, the proportion of Australians going to the cinema at least once in a year has remained around 70–72 per cent since 1996. Average frequency of attendance remained at around 8.3 visits per year from 1998, when the methodology for calculating this indicator was changed, dropping slightly to 7.8 in 2004.

Cinema attendance is most popular among people aged 14–24, with 90 per cent going to the movies in 2004, compared to 79 per cent of 25–34 year olds, 73 per cent of 35–49 year olds and 57 per cent of those aged 50 and over. Attendance has increased slightly on 2003 levels for all age groups. Since 1994, cinema-goers over 50 have been going to the movies more frequently than those aged 35–49.

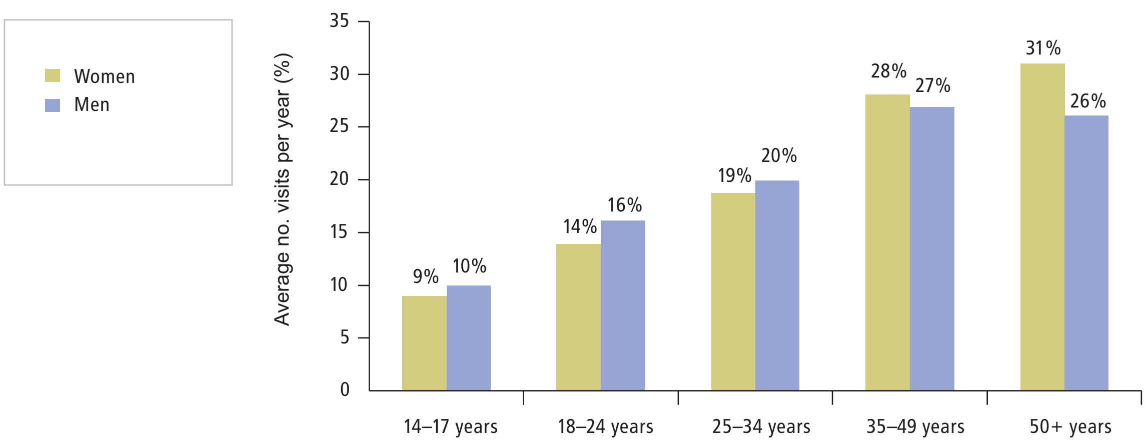
The drop in both attendance rates and frequency in the mid-1980s is usually attributed to the upsurge in video hire in Australia from 1982. Attendance levels were at their lowest level overall in 1986 – the lowest year for the over-50s; other age groups bottomed out in 1984. Frequency of attendance fell sharply in 1984 (in 1982 among the under-25s and in 1984 for all other age groups) but had recovered by 1988.

... BY GENDER

Men tend to outnumber women among cinema-goers under 35. Conversely, female cinema-goers outnumber men in the older (35 and over) age groups, particularly 50 and over.

Overall, women have outnumbered men among cinema-goers since 1988, accounting for between 51 and 53 per cent of cinema attendances over the past 15 years (52 per cent in 2004).

AGE PROFILE OF FEMALE CINEMA-GOERS COMPARED TO MALE CINEMA-GOERS, 2004



Source: Val Morgan & Co (Aust) Pty Ltd. Data may only be reproduced with permission.
Notes: 'Cinema-goers' means people who had been to the cinema at least once in the previous 12 months.

Cinema audiences

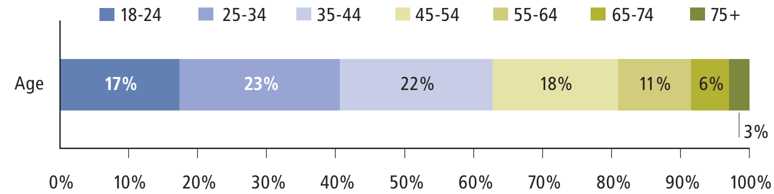
PHOTO CREDITS

Above:
BAD EGGS
Bob Franklin as *Mike Paddock* and Mick Molloy as *Ben Kinnear*
Courtesy: Double Yolker Films

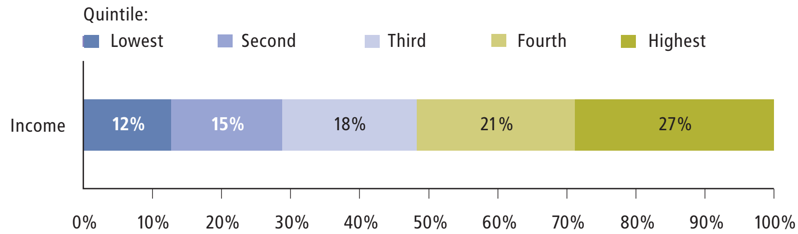
KEY DEMOGRAPHICS

CHARACTERISTICS OF CINEMA-GOERS (PEOPLE OVER 18 WHO WENT TO THE CINEMA AT LEAST ONCE) 2002

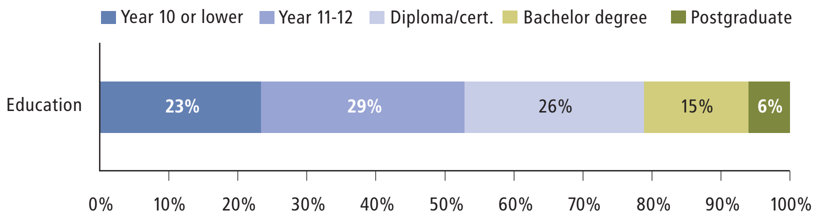
40 per cent were aged under 35 years



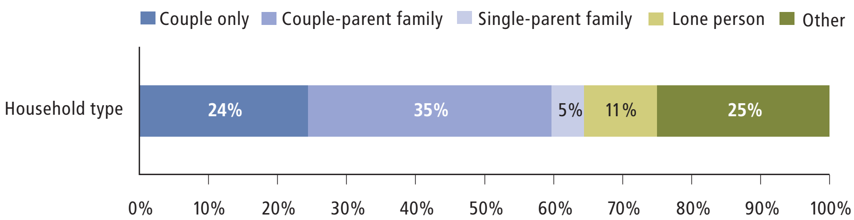
48 per cent were from households in the top two income quintiles[1]



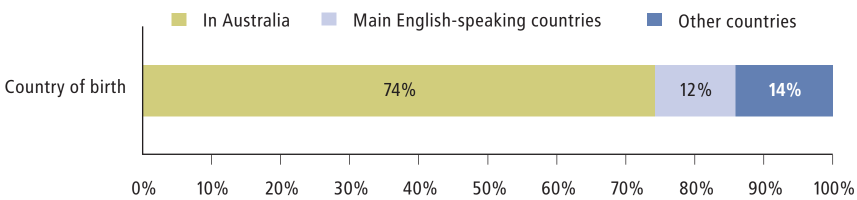
21 per cent had at least a Bachelor degree



35 per cent were from households comprising a couple and dependent children



74 per cent were Australian born, 12 per cent were born overseas in the main English-speaking countries (UK, Ireland, South Africa, Canada, the US and New Zealand) and 14 per cent were born in other countries.



Source: ABS, Attendance at Selected Cultural Venues and Events (cat no 4114.0)

1. Refers to groupings of 20 per cent of the total population when ranked according to income.

Digital film distribution and exhibition

Digital film distribution is the delivery of digitally compressed and encrypted full-length motion pictures, trailers, advertisements and other audiovisual 'cinema-quality' programs to cinemas equipped with digital projection systems, via the Internet, dedicated networks, DVD, digital tape, a digital storage device or satellite transmission. Films may also be distributed to individuals via broadband, peer-to-peer (P2P) networks and video-on-demand for screening on computers and home entertainment systems.

Digital film exhibition involves screening digitally compressed and encrypted full-length motion pictures, trailers, advertisements and 'cinema-quality' programs in cinemas equipped with digital projection systems.

Consequences for current content delivery: Scott McQuire, in an article titled 'Slow train coming? The transition to digital distribution and exhibition' (*Media International Australia*, no. 10, Feb. 2004) sets out three main benefits that digital cinema offers to exhibitors:

- more flexible programming options: exhibitors would be able to expand the number of screens devoted to a popular film without having to wait for extra prints to be shipped; they would also be able to improve pre-feature advertising
- possible productivity gains in running theatre operations, following significant and expensive investment in new technology
- access to new or improved revenue streams: once theatres are networked and able to display digital content delivered by cable or satellite, it becomes possible to use the big screen for live broadcasting.

For distributors the replacement of 35mm film has the potential to produce large savings in film print and distribution, although the cost of generating a digital master would be more significant for modestly budgeted titles, including most Australian films, than for big-budget studio films.[1]

International status: McQuire notes that significant issues need to be resolved before there will be broader implementation of digital cinema. The technology and its application is still in development, and piracy concerns have been holding back support from studios.

> *The fundamental sticking points which emerged from the attempt to kick start digital distribution and exhibition between 1999 and 2001 were the lack of a standardised technology, and the concomitant difficulty of devising an economic model.*[1]

To move on these issues in the US, Julian Levin (Executive Vice President Digital Exhibition and Special Projects at Twentieth Century Fox) instigated a scheme called Digital Cinema Initiatives (DCI) in March 2002. This is a consortium of the seven major Hollywood studios which aims to establish the system architecture for digital distribution and exhibition.

> *DCI is currently charged with setting a framework for a number of critical issues, including the resolution of digital projection systems, forms of encryption and compression, and the nature of the digital 'package' which will replace reels of film.*[1]

In the UK, Arts Alliance has launched the country's first digital cinema network. The UK's first film to be released digitally was *Bright Young Things* on 3 October 2003.[2]

In Australia: Scott McQuire said in 2005 the only two public high-end digital projectors in Australian cinemas were at the Australian Centre for the Moving Image in Melbourne and at Hoyts at Fox Studios in Sydney. He noted that DCI released their technical standards in July 2005 so we could see some movement in digital cinema in coming years. In the US, the studios are likely to pay for the roll-out, he said. In Europe everyone is looking to government support. In his 2004 article, McQuire noted none of the major exhibitors has yet adopted digital projection systems as a replacment for 35 mm.[1]

Low-end digital projectors are being rolled out faster than high-end systems in Australia, replacing slides and telecines for delivering advertising content. The business case for low-end digital projectors is far more compelling to exhibitors, with smaller upfront costs directly offset by the ability to increase revenue.[1]
A small number of Australian films have been exhibited successfully using DVDs connected to data projectors.

Scott McQuire sees any roll-out of digital cinema in Australia as depending on the timetable and the technological model adopted in the US. 'What remains unclear,' he adds, 'is the impact the transition will have on the Australian cinema industry as a whole'.[1]

Edited extract from *Flexible vision: a snapshot of emerging audiovisual technologies and services, and options for supporting Australian content,* AFC, Nov. 2003

1. Scott McQuire, 'Slow train coming? The transition to digital distribution and exhibition', *Media International Australia*, no. 10, Feb. 2004, pp. 105-119
2. 'First digital cinema chain for UK launched', *Screen Digest*, October 2003, p. 314

Eye on the future

Cinema industry data in Get the Picture online

INDUSTRY OVERVIEW: EMPLOYMENT

UPDATED THE YEAR AFTER EACH CENSUS (LATEST DATA 2001; NEXT UPDATE DUE 2007)

Employment patterns by industry (includes the motion picture exhibition industry):
Industries by state; States by industry; Men and women; Qualifications;
Qualifications by gender; Hours worked; Income; Income by gender;
Country of birth.

Occupations: By industry (audiovisual and other industries); By gender.

WHAT AUSTRALIANS ARE WATCHING: CINEMA INDUSTRY

UPDATED FEB/MAR EACH YEAR

The cinema industry in Australia:
Analysis by Sandy George.
Structure and key players, Trends in cinema-going.

UPDATED PERIODICALLY (LATEST DATA 1999/00; NEXT UPDATE DUE 2007)

Overview of the exhibition industry:
About the data; Summary; Key statistics. Businesses by state; Income by state; Employment by state; Wages by state. Sources of income; Expenditure.

UPDATED JANUARY/FEBRUARY EACH YEAR

Historical data:
Pre 1900: The early years of cinema in Australia;
Since 1901: Cinema admissions 1901–32, 1942–53, 1954–74, 1975 to present.

Screens and theatres:
Totals: By type of location, By state, Capacity by state,
By exhibitor, By state and exhibitor. Multiplexes; Multiplexes by exhibitor

Films screened:
By country of origin; By country of origin (films classified);
By classification.

Box office:
Admission prices; Number of admissions and gross box office;
By state; By type of location; Australian share of Australian box office
Distributors' market share

Top films:
No. 1 each year since 1972
Top 50 films:
1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, All time;
Top Australian films of all time; Top documentaries of all time;
Top Australian documentaries of all time.

UPDATED MARCH/APRIL EACH YEAR

Cinema audiences (Val Morgan data):
Attendance patterns; Attendance by city.
Attendance by age. Age profile: Age profile by gender.

UPDATED EVERY FOUR YEARS (LATEST DATA 2002; NEXT UPDATE DUE 2007)

Cinema audiences (ABS data):
Cultural activities. Cinema attendance: By state; By birthplace; By age;
By frequency and age; By household income; By education; By household type.

AUSTRALIA AND THE WORLD: INTERNATIONAL COMPARISONS

Comparisons between Australia and other countries in terms of:
Cinema screens; Cinema admissions; Admissions per capita; Box office;
Top films' box office share, Domestic films' share

2

Video industry

Once there was just the VCR. But the DVD phenomenon has changed the face of the video industry in Australia. The first DVD title, Evita, was only released in this country in late 1997. Yet by 2004, 40 million digital versatile discs were selling annually. The arrival of cheaper DVD players, surround-sound systems and a virtual flood of new movies and special features has underpinned the boom.

Fast facts

	'01	'02	'03	'04
HOMES WITH A VCR	88%	89%	87%	86%
- ONE ONLY	64%	62%	59%	59%
- TWO OR MORE	24%	27%	28%	27%
HOMES WITH A DVD PLAYER		24%	51%	62%
WHOLESALE SALES OF VHS TAPES	$347m	$323m	$181m	$83.2m
WHOLESALE SALES OF DVDS	$243m	$503m	$798m	$1,042m
AVERAGE OVERNIGHT RENTAL RATE FOR NEW RELEASES	$6.62	n.a.	$6.50–$7.50	$5.50–$6.50
AVERAGE SELL-THROUGH VHS	$19.15	$18.32	$16.91	$15.28
AVERAGE SELL-THROUGH DVD	$32.90	$29.95	$26.97	$23.11
TOP-SELLING VHS TITLE	Shrek	Harry Potter and the Philosopher's Stone	Harry Potter and the Chamber of Secrets	Finding Nemo
TOP-SELLING DVD TITLE	Shrek	The Lord of the Rings: The Fellow-ship of the Ring	The Lord of the Rings: The Two Towers	Finding Nemo

Source: ACNielsen, OzTAM, Digital Broadcast Australia, Video Trader, Blockbuster Video, AFC.

DVD and the home entertainment revolution

The DVD format has become a cultural phenomenon that has:

- quickly overtaken video as the dominant way of watching movies at home
- turned many movie viewers into 'buyers' – effectively collectors – rather than 'renters', in a way that video never did
- prompted many Australians to install home cinemas, complete with surround-sound systems and large screens, to take advantage of the extra sound and picture quality of the format
- expanded into the impulse purchase and gift market alongside books and CDs as prices have dropped
- supplemented revenue for movie producers: it's now acknowledged that at least 50 per cent of the revenue that films make comes from the DVD and remaining video market
- revived many old movies for contemporary audiences
- tapped *different* audiences through the release of multiple versions of movies – from low-priced discs containing just the movie to higher-priced ones carrying extra features
- added a level of cinema appreciation and literacy for audiences via directors' commentaries, deleted scenes, making-of documentaries and other special features.

Even distributors were surprised by the rapid growth in DVD sales in Australia between 2000 and 2003, which outstripped most other territories. The tumbling price of DVD players (down from $900 to $200–$400 and then below $100 for cheap models) and the rapid availability of recently released movies were probably the two key factors in the boom.

The managing director of Roadshow Entertainment, Chris Chard, says video had been a relatively stable business in recent years – even declining in some areas. While there was a sales market, most of the turnover was through rentals. 'It had certainly plateaued from a distribution point of view. DVD has really taken the category to a whole new level. Revenue from wholesale never seemed to get beyond $400 million ... DVD, in a fairly short period of time, has taken the figures to well north of double that [$1,127 million in 2004].'

THE 'SELL-THROUGH' BOOM

For distributors, the big growth has been in sell-through. Financial pressures in the music business meant that many CD retailers wanted to get into DVD sales – opening up the market. As well as K-Mart, Target, Big W and Myer, there was suddenly a 'retail base' that included HMV, JB Hi-Fi, Sanity and Harvey Norman that helped the industry grow quickly.

Distributors acknowledge that consumers have responded to the format for various reasons – the technical quality of the discs, their convenience, the special features and the market change that saw movies available for sale much earlier and often much cheaper than they had been on video. 'Previously there was the rental window and sometimes up to 12 months before a consumer could actually buy a new copy of the video cassette,' says Chard. 'So the marketing impact of the theatrical release was quite often watered down.' Now it is typical for DVDs to come on the market (for both rental and sell-through) from three to six months after cinema release.

The much-vaunted special features – including directors' commentaries, deleted scenes and trailers – appealed to the 'early adopters' as they set up home theatres with big screens and surround-sound systems. These features have remained important to DVD collectors but less significant for the rest of the market except in special cases like the extra effort put into the *Lord of the Rings* trilogy for their DVD release.

VIDEO STORES, RENTAL AND RETAILING

The head of the Australian Video Retailers Association (AVRA), Ross Waldren, says video stores have had to change their thinking and marketing as DVD has taken hold.

'When VHS came out 20 years ago, I think everyone was excited about that format. But [with the subsequent DVD] revolution, stores have had to lift their game – their business plan – to suit.' Waldren says the DVD-to-video ratio in stores might be 80:20 in affluent capital city suburbs but isolated regional areas remain relative strongholds for video. The ratio in Bourke or Broken Hill would be closer to 60 videos to 40 DVDs.

The association says the competitiveness of the industry has forced down profit margins but good returns are still achievable for smart operators.

Even in a country that traditionally embraces new technologies, the uptake of DVDs has been remarkably fast in Australia.

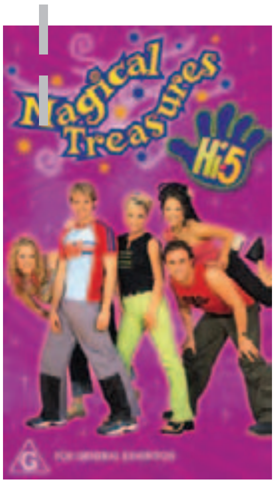


PHOTO CREDITS

Above:
HI-5 MAGICAL TREASURES
Courtesy:
Roadshow Entertainment

DVD and the home entertainment revolution

Chains dominate the video store market – including Blockbuster, Video Ezy and Civic– especially when franchise operations and buying groups are taken into account. According to AVRA, there are around 2000 stores in the country after industry rationalisations, and rental activity remains solid despite the number of DVDs being sold.

'We aren't seeing significant downturns in rental volumes,' Waldren says, adding that the availability of pirate discs, largely imported from Asia, and movie channels on pay television have had only a moderate impact on stores. He believes more important drains on profitability are non-returns, late returns and damaged stock, with up to 15 per cent of turnover lost this way.

THE FUTURE

As video-on-demand via digital pay television and DVD postal services are introduced, many in the industry believe the DVD market will continue to grow for 18 months to two years before any plateauing.

But with so many distributors (there are 40 listed in the industry magazine *Screenprint*), the top six or seven are dicing for market share, which has led to DVD prices falling. Discounting of titles has increased sales – movies costing $29.95 or $34.95 have been temporarily dropped to $24.95 or even $19.95 to drive sales. Some major films have been selling even lower – $14.95 – without special features. With DVDs available that cheaply and overnight rentals costing up to $7.50 in Sydney, sales are likely to start cutting into the rental business.

Digital pay-per-view television is also likely to damage the rental market (see page 39), even though rental stores will continue getting new releases earlier in the distribution chain.

Edited extract from 'The video industry in Australia', 2004
by Garry Maddox, Get the Picture Online, www.afc.gov.au/gtp/

Video distribution in Australia: The players

The Australian video trade magazine *Screen Print* listed 40 VHS and DVD distributors in its directory in 2004. These included:

- the home entertainment divisions of all the major international film distribution companies:
  - **Buena Vista Home Entertainment,** handling productions from Walt Disney Studios – Walt Disney Pictures, Touchstone, and Hollywood Pictures (*Lilo & Stitch*, *Monsters Inc*, *Pearl Harbor*, *Chicago*)
  - **Columbia TriStar Home Entertainment**, handling Sony Pictures Entertainment (the *Stuart Little* films, *XXX*, *Spider-Man*, *Men in Black*)
  - **MGM Home Entertainment** (*Die Another Day*, *Legally Blonde*, the *Terminator* films)
  - **Paramount Home Entertainment** (*Indiana Jones*, *Wild Thornberries Movie*)
  - **20th Century Fox Home Entertainment** (*Star Wars* films, *Ice Age*, *Chopper*, *Lantana*, *Moulin Rouge*)
  - **Universal Pictures Video** (*The Fast and the Furious*, *Gladiator*, *Shrek*, *Barbie* titles)
  - **Warner Home Video Australia** (the *Harry Potter* films, *Scooby Doo*)
- wholly Australian-owned companies such as:
  - **Roadshow Entertainment**, a division of Village Roadshow (*The Lord of the Rings* trilogy, the *Matrix* films, *Hi-5* titles)
  - **Magna Pacific**, an independent DVD and video distributor (*Dirty Dancing*, *Once Were Warriors*, *Two Hands*, *Dances with Wolves*, documentaries)
- smaller Australian distributors such as **Kaleidescope Film and DVD** (a division of Shock Records), 21st Century Video, Rainbow Video
- companies focusing mainly on **music videos**, such as Warner Vision, BMG Australia, Rajon Vision, Stomp, EMI, Festival Mushroom Records, Sony, or on **sports videos**, or on **education**.

Most of these companies are members of the industry group the Australian Visual Software Distributors Association (AVSDA); see www.avsda.com.au.

The ABC has a substantial video/DVD division (ABC for Kids handles the successful Wiggles videos), and other organisations such as **Film Australia** are also involved in video and DVD distribution.

The video hire industry overview

...BUSINESS SIZE

According to the latest ABS industry survey, there were 1,166 businesses in the video hire industry at the end of June 2000, operating from 1,615 outlets.

Most businesses had less than 10 employees, and 95 per cent had less than 20. There were 10 businesses employing 50 or more people. These 10 large businesses, some of which were franchisors with many franchisee businesses, accounted for 21 per cent of employment, 29 per cent of income and 22 per cent of the operating profit before tax of the industry.

More than 10,000 people were employed in the video hire industry in 2001.

... EMPLOYMENT

Census data shows 10,812 people employed in the video hire industry in 2001, 11 per cent more than the number indicated by the 1996 census (9,745).

- Most are casual or part-time employees
(75 per cent of total in the 2000 ABS industry survey; 70 per cent working less than 35 hours in the 2001 census).
- Most are women (2001 census data 60 per cent; 2000 ABS data 61 per cent).

EMPLOYMENT IN THE VIDEO HIRE INDUSTRY BY STATE, 1996 AND 2001

Sources: ABS Census of Population & Housing, 1996, 2001;.
Notes: 'State' is the person's usual residence, rather than where the person was on census night.

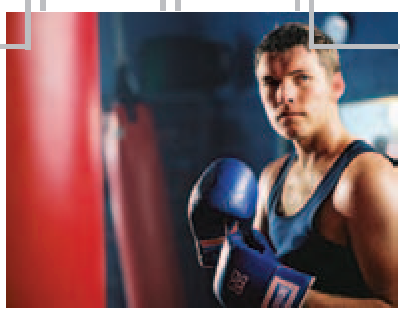


PHOTO CREDITS

GETTIN' SQUARE

Far left:
David Wenham as *Johnny Spitieri*

Left:
Sam Worthington as *Barry Wirth*

Photographer:
Carolyn Johns

Courtesy:
Squared Productions Pty Ltd/
Mushroom Pictures

The video hire industry overview

... INCOME AND EXPENDITURE

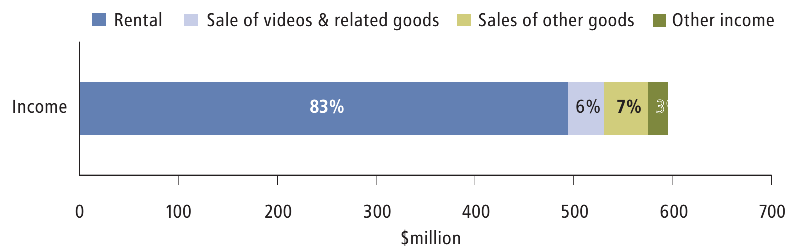
The 1999/2000 ABS industry survey indicated that 83 per cent ($493 million) of the video hire industry's $595 million total income in that year came from rental of videos and video-related goods such as DVDs and video games.

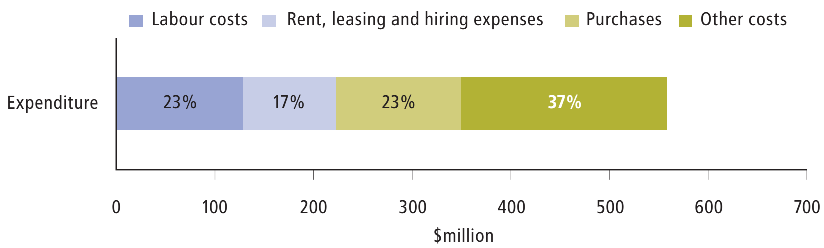
Other major sources of income included $40 million (6.7 per cent) from the sale of food and beverages and $36 million (6.1 per cent) from the sale of videos and video-related goods.

Businesses in the video hire industry had total expenses of $559 million in 1999/2000. The four major expense items were labour costs of $129 million (23 per cent of total expenses), purchase of goods ($128 million, or 23 per cent of total), depreciation and amortisation ($103 million, or 19 per cent of total) and rent, leasing and hiring expenses of $94 million (17 per cent of total, mostly for premises).

The different methods of acquiring and accounting for videos were reflected in the high expenditure on purchases, on depreciation and amortisation, and on rent, leasing and hiring. Some businesses made a *current* purchase of videos, i.e. one of the major components of purchases was for videos ($68 million), some of which were for rental and some for resale. On the other hand, many businesses made a *capital* purchase of videos, for which the expense was recorded in terms of depreciation (i.e. part of the depreciation and amortisation of $103 million); and some businesses *rented* stock ($16 million) for purposes of on-rental to the public.

SNAPSHOT 1999/00: INCOME AND EXPENDITURE FOR BUSINESSES IN THE VIDEO HIRE INDUSTRY





Source: ABS, *Video Hire Industry* (cat. no. 8562.0) May 2001

PHOTO CREDITS

LORD OF THE RINGS: THE RETURN OF THE KING (DVD)

Above:
Viggo Mortensen as *Aragorn*

Facing page:
Riders of Rohan

Courtesy:
Roadshow Entertainment

Wholesale sales

... REVENUE

Wholesale revenue from video tape and DVD distribution has grown by 355 per cent since 1990, reaching $1,125.8 million in 2004.

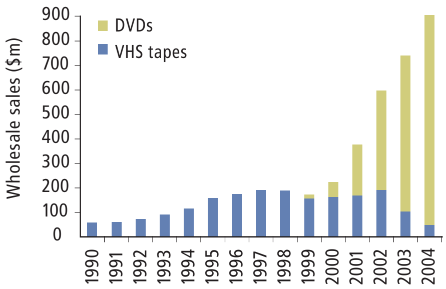
The proportion of distributors' revenue coming from the supply of VHS tapes to rental outlets has declined from 76 per cent in 1990 to just 3 per cent in 2004, reflecting the dramatic take-off of DVDs, particularly via sell-through retailers.

DVDs as sell-through product have represented a genuinely new market opportunity for video distributors. Total sales to retail outlets have grown from $189 million in 1998 (all VHS) to $903 million in 2004, with $854 million of this coming from DVDs. Over the same period, total sales to rental stores have remained solid at around $200 million annually ($222 million in 2004, with $189 million from DVDs). DVDs now account for 92.7 per cent of revenue to distributors.

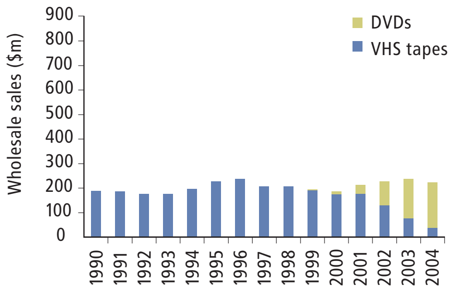
DVDs as sell-through product have represented a genuinely new market opportunity for distributors.

VALUE OF WHOLESALE SALES OF VIDEO PRODUCT

... TO RETAIL (SELL-THROUGH) OUTLETS



... TO RENTAL STORES



Source: Australian Visual Software Distributors Association (AVSDA)
Notes: Breakdown of DVD sales to sell-through and rental outlets for 1999 and 2000 are AFC estimates; wholesale DVD sales totalled $18.4m in 1999 and $69.6m in 2000.

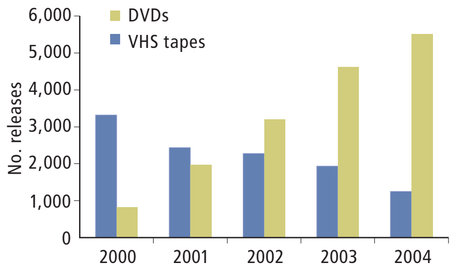
...NUMBER OF RELEASES

Analysis of the Trade Service of Australia's VideoSource database reveals rising numbers of DVD releases each year since 2000, with VHS releases falling over the same period. DVDs made up 81.5 per cent of all releases in 2004, up from 19.6 per cent in 2000.

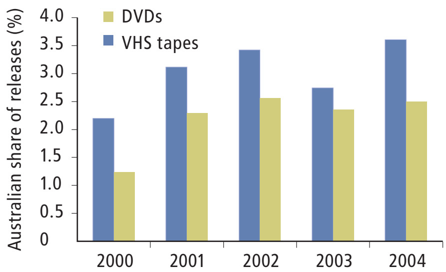
The number of Australian releases on VHS/DVD has been increasing – from 83 titles per year in 2000 to 183 in 2004. Australian titles are also comprising a greater proportion of releases, up from 2.0 per cent in 2000 to 2.7 per cent in 2004.

The VideoSource database includes around 95 per cent of all releases for rental and sale since 1983. Overall, Australian titles make up 2.1 per cent of the 48,500 VHS and DVD releases recorded to January 2005.

NO. OF RELEASES



AUSTRALIAN SHARE



Source: AFC analysis of Trade Service of Australia VideoSource data, January 2005

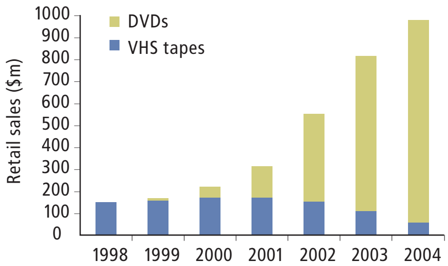
Retail sales

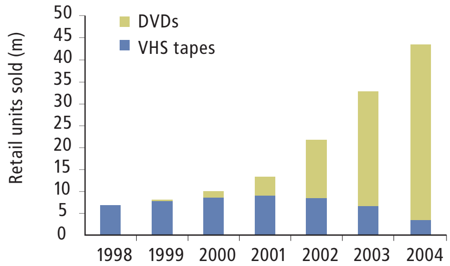
In the six years to 2004, the retail value of DVD sales has grown to $925 million.

Figures for retail sales of video product reflect the continuing rise of DVDs, with 40 million units sold in 2004 compared with 26 million in 2003. VHS unit sales fell by 47 per cent in 2004, from 6.6 million units in 2003 to 3.5 million in 2004.

In just five years, the retail value of DVD sales has grown from $10 million (1999) to $925 million (2004), and tape sales have dropped from $159 million to $53 million during that same period.

The average unit price of tapes and DVDs has also been falling, with tapes dropping from around $20 in 1999 and 2000 to around $15 in 2004, and DVDs down from around $32–$34 in 1999, 2000 and 2001 to around $23 in 2004.





Source: GfK Marketing Services, collated from participating stores including Big W, Kmart, Toys R Us, Target, Myer Grace Bros, HMV, ABC Shops, David Jones, Bing Lee and Harvey Norman as well as specialty chains and various independents. 1998 was the first full calendar year that figures were collected (1999 for DVDs).

...BY TYPE

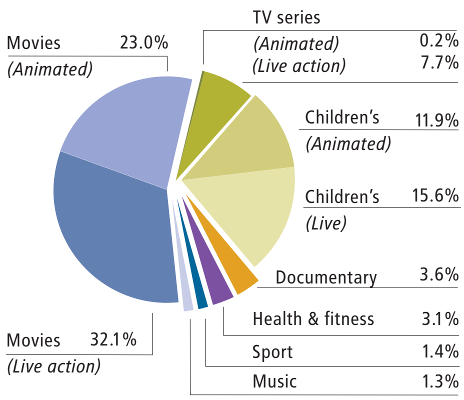
In 2004 movies continued to be the most popular type of sell-through video product, making up half the value of VHS sales and two-thirds the value of DVD sales. Children's programs comprised 28 per cent of video sales in 2004 but only 4 per cent of DVD sales, although the children's share of DVD sales is climbing.

While movies made up more than 90 per cent of DVD retail sales in 2000, the proportion has been dropping over time as sales of other types increase. The shift from VHS to DVD is particularly evident for TV series, whose share of sales on VHS has dropped from around 12 per cent in 2000 to 8 per cent in 2004, but increased on DVD from 2 per cent to 16 per cent.

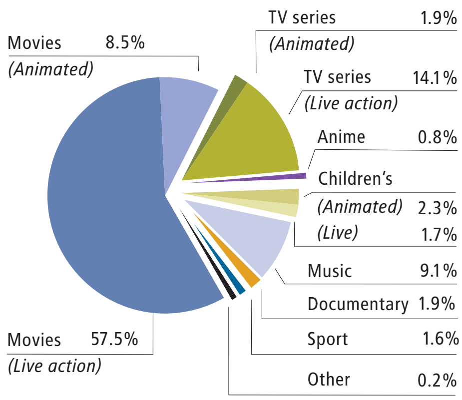
Data on sales of animated titles is now broken down into movies, children's programs and TV series, plus anime, a Japanese animation art style involving distinct images, characters and stories. Animated titles tend to account for a larger proportion of movie sales on VHS than on DVD (see page 33). Animation also makes up a significant proportion of the sales of both videos and DVDs for children.

SNAPSHOT 2004: VALUE OF SALES BY TYPE

VHS TAPES



DVDS



Source: GfK Marketing Services

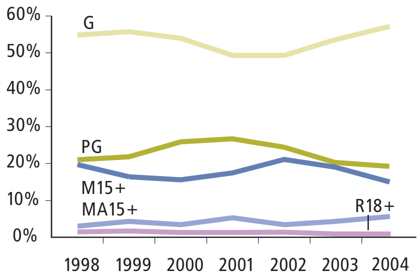
Notes: [1] 'Children's' and 'Animated' categories include both movies and TV series. Adult videos not included.

... BY CLASSIFICATION

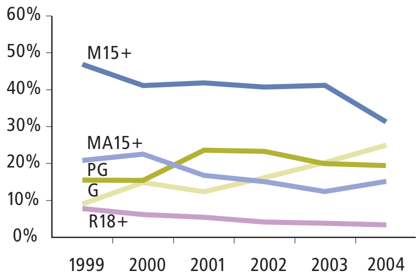
Movies on VHS are dominated by G-rated titles (58 per cent of sales value in 2004). DVD movies are led by M15+ titles (31 per cent in 2004), but the proportion has fallen since 1999, as G and PG titles have become more common on DVD.

SHARE OF SALES BY CLASSIFICATION

VHS TAPES



DVDS



Source: GfK Marketing Services

Classification categories: G, PG and M are advisory categories; MA and R are legally restricted.	
G	General (suitable for all ages)
PG	Parental Guidance (parental guidance recommended for persons under 15 years)
M15+	Mature (recommended for mature audiences 15 years and over)
MA15+	Mature Accompanied (restrictions apply to persons under the age of 15)
R18+	Restricted (to adults 18 years and over)

... MOVIES BY GENRE

Video/DVD sales of a particular movie genre depend on both the genres released and the popularity of individual titles.

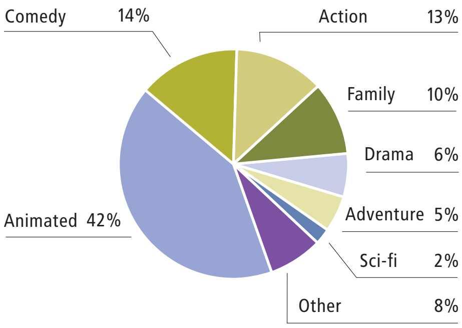
On VHS, animated titles account for the largest share of movie sales, hovering around 30–35 per cent since 2000 and reaching 42 per cent in 2004, with *Finding Nemo*, *Shrek 2* and *The Lion King Collectors Edition* all in the top 5. Comedy comes in a fairly distant second at 14–15 per cent, with the Action and Family genres vying for third over the years.

On DVD, Action and Comedy were almost equal first in 2004, each accounting for around 22 per cent of movie sales, followed by Animation (13 per cent) and Drama (12 per cent).

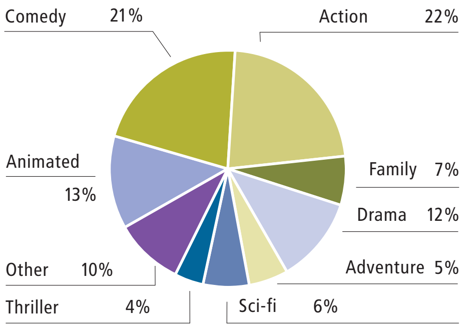
The share represented by Sci-fi movies has dropped on both VHS and DVD, from 12 per cent for both in 2000 to 2 per cent and 6 per cent, respectively in 2004.

SNAPSHOT 2004: VALUE OF MOVIES BY GENRE

VHS TAPES



DVDS



Source: GfK Marketing Services
Notes: Adult videos not included.

PHOTO CREDITS

Above:
THE WIGGLES

Courtesy:
ABC Video and DVD
– ABC Enterprises

Top titles

Australian titles listed in bold

RENTAL 2002

	VHS tapes		DVDs	
	Title	Distributor	Title	Distributor
1	The Fast and the Furious	Columbia TriStar	Lord of the Rings: The Fellowship of the Ring	Roadshow
2	Lord of the Rings: The Fellowship of the Ring	Roadshow	The Fast and the Furious	Columbia TriStar
3	Rush Hour 2	Roadshow	Rush Hour 2	Roadshow
4	Harry Potter and the Philosopher's Stone	Warner	Harry Potter and the Philosopher's Stone	Warner
5	Along Came a Spider	Paramount	Oceans 11	Roadshow
6	Ocean's 11	Roadshow	American Pie 2	Columbia TriStar
7	American Pie 2	Columbia TriStar	Planet of the Apes	20th Century Fox
8	Shallow Hal	20th Century Fox	Swordfish	Roadshow
9	Planet of the Apes	20th Century Fox	Black Hawk Down	Columbia TriStar
10	Legally Blonde	20th Century Fox	Shallow Hal	20th Century Fox

Source: Video Trader

RENTAL 2003 (BLOCKBUSTER ONLY)

	Title (VHS & DVD)	Distributor	Release date[1]	DVD share
1	Minority Report	20th Century Fox	22 Jan	65%
2	My Big Fat Greek Wedding	Roadshow	2 Apr	65%
3	XXX	Columbia	2 Apr	71%
4	Matrix Reloaded	Roadshow	14 Oct	79%
5	Bend It Like Beckham	Warner	8 Jan	58%
6	Mr Deeds	Columbia	12 Mar	68%
7	Bruce Almighty	Buena Vista	26 Nov	79%
8	Signs	Buena Vista	5 Feb	66%
9	Sweet Home Alabama	Buena Vista	14 May	67%
10	Sweetest Thing	Columbia	2 Jan	59%

Source: Blockbuster Video
Notes: [1] All 2003

PHOTO CREDITS

THE MATRIX REVOLUTIONS (DVD)

Left to right:
Keanu Reeves as *Neo;* Hugo Weaving as *Agent Smith*; Lambert Wilson as *Merovingian* and Monica Bellucci as *Persephone* in Warner Bros. Pictures' and Village Roadshow Pictures' THE MATRIX REVOLUTIONS, also starring Laurence Fishburne and Carrie-Anne Moss.

Courtesy:
Roadshow Entertainment

RENTAL 2004 (BLOCKBUSTER ONLY)

	Title (VHS & DVD)	Distributor	Release date	DVD share
1	Kill Bill Vol 1	Buena Vista	14 Apr 04	92%
2	Pirates of the Caribbean	Buena Vista	17 Mar 04	91%
3	The Italian Job (2003)	Paramount	29 Jan 04	90%
4	50 First Dates	Columbia	07 Jul 04	93%
5	The Last Samurai	Warner	12 May 04	93%
6	League of Extraordinary Gentlemen	20th Century Fox	11 Feb 04	91%
7	School of Rock	Paramount	24 Jun 04	93%
8	Master and Commander	20th Century Fox	21 Apr 04	92%
9	The Butterfly Effect	Warner	04 Aug 04	95%
10	Starsky and Hutch (2004)	Buena Vista	18 Aug 04	95%

Source: Blockbuster Video

Australian titles in top 20, sell-through

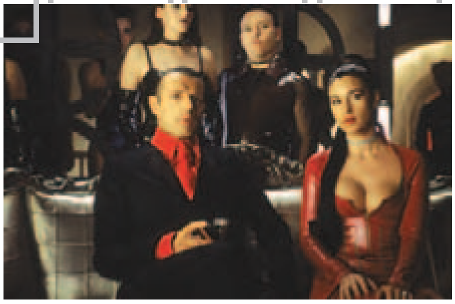
VHS TAPES

No. titles	Titles
2000	Hi-5: Star Dreaming; Hi-5: Animal Adventures; The Wiggles: Wiggly World; Hi-5: Music Machine; Hi-5: Move Your Body; Hi-5: Summer Rainbows
2001	Moulin Rouge, The Wiggles: Hoop-Dee-Doo; Hi-5: Snow Party; Hi-5: Alive; Hi-5: Playing Cool; The Wiggles: Wiggly TV
2002	Wiggles: Wiggly Safari; Hi-5: Magical Treasures; Home and Away: Secrets and the City; Hi-5: Let's Celebrate
2003	Hi-5 Surfing Safari; The Wiggles: Space Dancing; It's a Hi-5 Christmas; The Wiggles: Who Hoo Wiggly Gremlins
2004	The Wiggles: Top of the Tots; Hi-5: Holiday

Source: GfK Marketing Services

DVDS

There was only one Australian title in the top 20 sell-through DVDs 2000–2003. This was *Moulin Rouge* in 2001. In 2004 *The Adventures of Priscilla, Queen of the Desert, 10th Anniversary Edition*, made the top 20.



Top titles

SELL-THROUGH 2002

	VHS tapes		DVDs	
	Title	**Distributor**	**Title**	**Distributor**
1	Harry Potter and the Philosopher's Stone	Warner	The Lord of the Rings: The Fellowship of the Ring	Roadshow
2	Monsters Inc	Buena Vista	Harry Potter and the Philosopher's Stone	Warner
3	The Lord of the Rings: The Fellowship of the Ring	Roadshow	Star Wars: Attack of the Clones	20th Century Fox
4	Ice Age	20th Century Fox	The Fast and the Furious	Universal
5	Spider-man	Columbia	Monsters Inc	Buena Vista
6	Shrek	Universal	Spider-man	Columbia
7	Cats and Dogs	Roadshow	Ice Age	20th Century Fox
8	Barbie as Rapunzel	Universal	Gone in 60 Seconds	Warner
9	Scooby-Doo	Warner	Black Hawk Down	Columbia
10	Wiggles: Wiggly Safari	ABC for Kids	Gladiator	Universal

SELL-THROUGH 2003

	VHS tapes		DVDs	
	Title	**Distributor**	**Title**	**Distributor**
1	Harry Potter and the Chamber of Secrets	Warner	The Lord of the Rings: The Two Towers	Roadshow
2	Lilo & Stitch	Buena Vista	Harry Potter and the Chamber of Secrets	Warner
3	The Lord of the Rings: The Two Towers	Roadshow	Matrix Reloaded	Roadshow
4	Ice Age	20th Century Fox	Lilo & Stitch	Buena Vista
5	Stuart Little 2	Columbia	XXX	Columbia
6	Monsters Inc	Buena Vista	The Fast and the Furious	Universal
7	Barbie of Swan Lake	Universal	8 Mile	Universal
8	**Hi-5 Surfing Safari**	**Roadshow**	2 Fast 2 Furious	Universal
9	**The Wiggles: Space Dancing**	**ABC for Kids**	Monsters Inc	Buena Vista
10	My Big Fat Greek Wedding	Roadshow	Indiana Jones 4 DVD box set	Paramount

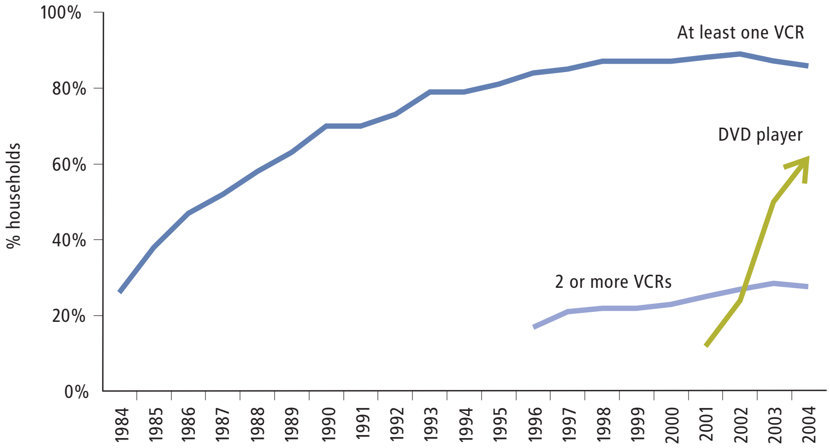
SELL-THROUGH 2004

	VHS tapes		DVDs	
	Title	**Distributor**	**Title**	**Distributor**
1	Finding Nemo	Disney	Finding Nemo	Disney
2	Spider-Man	Columbia	Shrek 2	Universal
3	Shrek 2	Universal	Pirates of the Caribbean	Disney
4	Lion King Collectors' Edition	Disney	The Lord of the Rings: The Return of the King	Roadshow
5	The Lord of the Rings: The Return of the King	Roadshow	Lion King, Special Edition	Disney
6	Harry Potter and the Prisoner of Azkaban	Warner	Harry Potter & the Prisoner of Azkaban	Warner
7	Pirates of the Caribbean	Buena Vista	Star Wars Trilogy	20th Century Fox
8	**The Wiggles: Top of The Tots**	**ABC for Kids**	Four Weddings and a Funeral	Magna
9	**Hi-5: Holiday**	**Roadshow**	The Matrix Revolutions	Roadshow
10	Men in Black 2	Columbia	Troy 2004	Warner

Source: GfK Marketing Services

Video households

The proportion of metropolitan households with DVD players has risen from 43 per cent in 2003 to 62 per cent in 2004. The proportion of metropolitan households with VCRs dropped slightly in 2004, from 87 per cent to 86 per cent for at least one VCR, and from 28 per cent to 27 per cent for two or more VCRs.

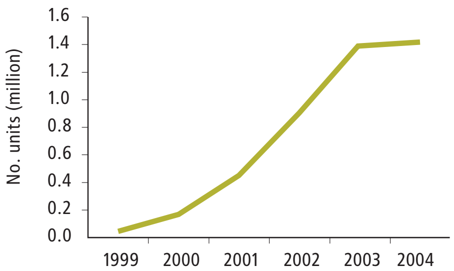


Source: 1984–93: Roy Morgan Research Centre Omnibus data. 1994–2000: ACNielsen TV Trends (five-city metropolitan average). From 2001: OzTAM.

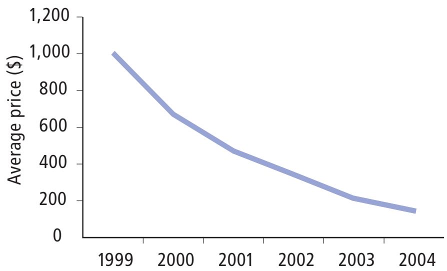
DVD player sales

1.4 million DVD players were sold in 2004, similar to the year before and more than 30 times the number sold in 1999. The average price per player has fallen from more than $1,000 in 1999 to $148 in 2004. According to the 2004 OzTAM Ratings Snapshot, 62 per cent of Australian homes now have a DVD player.

SALES OF DVD PLAYERS



AVERAGE PRICE PER UNIT



Source: GfK Marketing Services
Notes: National figures; year ending October.

See also Free to air TV: Children's TV viewing, page 57.

Video industry data in Get the Picture Online

INDUSTRY OVERVIEW: EMPLOYMENT

UPDATED THE YEAR AFTER EACH CENSUS (NEXT UPDATE DUE 2007)

Employment patterns by industry
(includes the video hire industry)

Industries by state; States by industry;
Men and women; Qualifications; Qualifications by gender; Hours worked;
Income; Income by gender; Country of birth

Occupations: By industry (audiovisual and other industries)

WHAT AUSTRALIANS ARE WATCHING: VIDEO INDUSTRY

The video industry in Australia:
Analysis by Garry Maddox.

UPDATED PERIODICALLY (NEXT UPDATE 2007)

Video hire outlets:
Key statistics; Income; Expenditure; By state; By business size;
Business activities (to 2001); Size of stock (to 2001); Rental rates (to 2004)

UPDATED MARCH/APRIL EACH YEAR

Wholesale sales:
Wholesale revenue; Units sold, Average price per unit

Video product:
No. of releases and Australian share
Retail sales; Sales by type; Movies by genre;
Value by classification; Numbers by classification; By country of origin (to 1999/00 only)

Top video titles:
Top 20 rental: 1998, 1999, 2000, 2001; 2002, 2003; 2004
Top 25 sell-through: 1998, 1999, 2000, 2001, 2002; 2003; 2004
Top 10 by type: Non-animated movies; Children's; Animated movies; Animated series
Top DVD titles: Top 25 sell-through: 2000, 2001, 2002; 2003; 2004
Top 10 by type: Non-animated movies; Children's; Animated movies; Animated series

Video equipment:
VCR and DVD ownership; DVD players

Video-on-demand and pay-per-view

These services enable television viewers to select a video program (often a movie as from the video rental store) and have it sent to them (in a form called a 'stream') over a channel via a network such as a cable, satellite TV network or DSL (digital-subscriber line). The movie is stored in a set top box's or PVR's (personal video recorder's) (huge in memory not size) hard drive and the consumer watches it from this source, eliminating the trip to the video store. The viewer can pause, rewind or fast forward the movie (or whatever programming they're watching) as if it was running on her or his own VCR or DVD. This can also be known as 'interactive video-on-demand'.

Video-on-demand and pay-per-view services can be seen as an extension of a subscription television service whereby viewers must pay for the right to view a program. This is done on a per-program basis, rather than on a per-channel package basis.

Various international analysts report that VOD and PPV are growing very quickly, often at the expense of traditional subscription services. Another possible consequence may be loss of business for video/DVD hire stores.

International status: Video-on-demand services are still a North American phenomenon. Outside of the US and Canada, only a handful of cable operators were offering them in mid-2003. There are a number of VOD services in Europe: Arcor in Germany, which has formed a coalition with Internet movie portals Cinema.de and Tomorrow.de; TV Cabo's Premier VOD in Portugal; Monaco Telecom; Softbank in Japan.

The European market for PPV reached €522.2 million in 2002 and was expected to reach €630 million by the end of 2003, growth of 21 per cent.[1] The UK is the largest PPV market in Europe followed by France, Spain and Italy.

The existing market for home video 'playback' products and services, which consists of products like VCRs and DVD players, continues to pose a competitive challenge to the growth of cable-based VOD services.

In Australia: Partly due to the current low penetration of broadband and pay TV services in the Australian market, there has not been a major push by potential VOD providers to offer a national 'mass market' service. However, digital TV services such as Foxtel Digital were offering 'near' video-on-demand (where a particular program is advertised to start every 15 minutes or so) in mid 2004, and niche applications and services such as VOD services in hotels and motels are widespread.

As broadband and pay TV penetration increases, the economic attractiveness of a 'mass market' VOD service is expected to improve.

DVD delivery services

In the US there has been considerable growth in DVD delivery businesses such as NetFlix, which combine online access and DVD rental. NetFlix has signed over 3 million subscribers. There were more than 30 distribution centres in mid 2005. The number of online DVD rental companies continues to grow in Europe.[2]

In Australia, Hoyts and Home Screen Entertainment announced in November 2003 that they would launch an Internet-based DVD home delivery service, Home Screen, similar to the NetFlix model in the US. This follows already established companies QuickFlix and WebFlicks. In December 2005 QuickFlix acquired Home Screen.

Extracted from *Flexible vision: a snapshot of emerging audiovisual technologies and services, and options for supporting Australian content,* AFC, Nov. 2003 plus updates.

1. *Screen Digest*, October 2003
2. *Screen Digest*, April 2003, October 2003

3

Free-to-air television

Free-to-air television continues to be Australia's most popular medium and the main source of news, current affairs and entertainment for most households.

- The average Australian watched three hours and 7 minutes of television each day in 2004.
- More than one-third of all people are viewing television between 6 pm and 10pm on any given evening.
- At the peak of the prime evening viewing period between 7 pm and 9 pm more than 60 per cent of all households are tuned in.
- About 94 per cent of all adults will use the medium during any given week.

But there are challenges ahead for the industry as it journeys further into the new decade.

Fast facts

	'01	'02	'03	'04
% OF HOMES WITH A TV	>99%	>99%	>99%	>99%
- TWO OR MORE TVS	62%	61%	65%	67%
% HOMES WITH DIGITAL TV			3.3% (0.25m)	10% (0.78m)
% HOMES WITH PAY TV	21%	21%	22–23% (1.5m)	22–23% (1.66m)
COMMERCIAL TV BROADCASTERS				
- TOTAL REVENUE	$3,347m	$3,233m	$3,451m	$3,724m
- TOTAL EXPENDITURE	$2,936m	$2,822m	$2,945m	$3,133m
- PROGRAM EXPENDITURE (% LOCAL)	$988m (71%)	$1,007m (70%)	$1,030m (70%)	$1,005.5m (67%)
TOP-RATING PROGRAM	Wimbledon Day 14	Test Australia: The National IQ Test 2002	2003 Rugby World Cup: Final: Aust. v England	Australian Idol: The Final Verdict
TOP-RATING FEATURE FILM	Notting Hill	The Sixth Sense	Charlie's Angels	Shrek
TOP-RATING AUSTRALIAN FILM	Paperback Hero	The Wog Boy	Looking for Alibrandi	Rabbit-Proof Fence

Source: ACNielsen, OzTAM, Digital Broadcasting Australia,
Australian Communications and Media Authority, formerly the Australian Broadcasting Authority

Television broadcasting in Australia

From a financial perspective, the 1990s were largely a decade of financial restructuring, recovery and finally resurgence for the free-to-air television industry. Stable ownership, strong management, solid financial structures and a healthy economy all contributed to the financial recovery of the three commercial networks, after the ownership and financial upheavals which beset each of them from the late 1980s to the early 1990s. Over the past 10 years, favourable market conditions allowed the sector to rebuild profit margins, strengthen balance sheets and reinvest surplus cash flows into complementary activities.

Consequently, Australia's three commercial and two government-owned non-commercial free-to-air television networks generally managed to generate strong operating performances throughout most of the late 1990s, despite a number of challenges which included:

- the introduction of pay television services at the start of 1995;
- increasing competition for the attention of younger viewers from computer games, DVDs and online services; and
- substantial budgetary constraints imposed upon the major national broadcaster, the Australian Broadcasting Corporation (ABC) in the latter half of the 1990s.

2001 and 2002 were more financially challenging years for the commercial television industry, with slowing growth and then actual declines in both advertising revenues and operating profits. Fortunately, those declines were not protracted and they were followed by a recovery in advertising revenues and profits which began in early 2003, and gathered momentum through to the end of 2004 before moderating during the first half of 2005. At present, the commercial sector of the local television industry is back to growth rates of between 5.5 and 6.0 per cent per annum for revenues, expenses and operating profits.

IMPACT OF PAY TELEVISION

Since its commencement a decade ago, pay television has been a tortoise-like competitor to the free-to-air broadcasters. Slowly but steadily it has increased subscriber numbers, channel offerings and household penetration rates, while also gradually reducing aggregate free-to-air viewing time and, to a lesser extent, chipping away at television advertising revenues.

During 2004, pay television channels in aggregate accounted for 13.9 per cent of all metropolitan television viewing and a 1.4 per cent share of total television advertising revenues. In subscription television households, which OzTAM estimates totalled 23.5 per cent of all Australian households as at December 2004, 52 per cent of all television viewing across the day was devoted to pay channels. However, that viewing share was spread across more than 60 thematic channels, with the top-rating pay channel only recording a 3.9 per cent share during 2004 and only five other pay channels recording an audience share of greater than 2.0 per cent. Overall, the 32 pay channels which were individually rated by OzTAM during 2004, had an average audience share of less than 1.4 per cent. Thus the typical pay channel was a specialist narrowcast service, which arguably is fundamentally different in both format and audience appeal from any of the three commercial free-to-air channels or the ABC.

For the foreseeable future, an additional 2.0 to 2.5 per cent of all Australian households are likely to continue to sign up for a subscription television service each year and consequently pay television is likely to become an even bigger competitor to the free-to-air broadcasters for viewer time and television advertising expenditure.

A DIVERSE DIGITAL FUTURE

In 1998, legislation was enacted for the introduction of digital television in Australia: simulcasting of broadcasting services in both analogue and digital modes for at least 8 years was to commence from January 2001 in metropolitan markets and progressively in regional markets from 1 January 2001 to 1 January 2004 (see Going digital).

At present, 94 per cent of the Australian population, including all of those residing in the capital cities and almost all of those in regional centres, are now receiving digital terrestrial television signals, according to the ABC, and up to a quarter of all Australian households have digitally-capable reception equipment which allows them to access some, or all, of the existing range of free-to-view digital terrestrial television services. A schedule

Television broadcasting began in Australia in 1956. From the outset, the industry has operated as a dual system comprising privately owned commercial stations which carry advertising, and a government-owned and funded non-commercial sector.

for the introduction of free-to-view digital services in remote areas has yet to be finalised.

As at the end of June 2005, an estimated 820,000 local households, representing almost 11 per cent of all Australian homes, had either free-to-view digital set top box receivers or integrated digital TV sets which enabled them to receive the full range of existing free-to-view digital terrestrial television signals, according to Digital Broadcasting Australia. And at that same time, a more limited range of the existing digital terrestrial television services was also available to the 1.07 million pay television households receiving a digital subscription service, consisting of more than 70 per cent of Foxtel's retail subscribers, 78 per cent of Austar's residential subscribers and all of the subscribers to the cable services of TransACT in Canberra and Neighborhood Cable in regional Victoria – equivalent to about 14 per cent of all Australian households. Typically, those digital subscription television subscribers have access to the digital terrestrial television offerings of the ABC and SBS and also to those of the Nine Network in the case of Foxtel digital subscribers in Sydney, Melbourne and Brisbane only.

For a television viewer, the main attractions of digital television include better picture quality, improved sound, superior reception, a widescreen picture or format, and the ability to receive additional channels as well as other enhancements.

The future take-up and usage of free-to-view digital television in Australia is likely to be assisted by both a gradual increase in the current range of HD and extra channel digital television offerings and the growing popularity of widescreen television receivers. According to Widescreen TV, more than 1.025 million widescreen television sets have been sold in Australia since 2001, giving them a household penetration rate of about 7 per cent, and their recent rate of sales has been about 50,000 units per month. This means that of the 1.4 million television sets which typically are sold in Australia each year, about 43 per cent are now widescreen receivers, and in the quarter ending June 2005, more than half of those widescreen receivers had plasma or LCD screens, which are rapidly displacing traditional and generally lower priced CRT (cathode-ray tube) screens.

Edited extracts from '*Free-to-air television: Industry structure and historical development*' and '*Trends and issues*' by Bob Peters, Get the Picture Online, www.afc.gov.au/gtp

PHOTO CREDITS

Above:
THE SECRET LIFE OF US

Left to right:
Claudia Karvan as *Alex*, Deborah Mailman as *Kelly* and Samuel Johnson as *Evan*

Courtesy:
Southern Star Entertainment.

Going digital

Under the Federal Government's framework for the introduction of digital broadcasting, the five existing free-to-air television networks have been given enough free spectrum to provide high-definition television (HDTV), which offers viewing quality close to that of cinema. Within two years of starting digital transmission (i.e. by 1 January 2003 in metropolitan markets), they must be broadcasting a minimum of 20 hours per week (1040 hours per year) of programming in the high-definition format.

The networks must also provide all their programming in 'standard definition television' (SDTV) format. SDTV is a version of digital television with a picture quality around the same as the current analogue television but with no 'snow' or 'ghosting'.

Each broadcaster can use any spectrum left over after meeting these requirements for other purposes, including offering program 'enhancements' such as multiple camera angles of an event, action replays or sports statistics. From January 2002 they were also be able to provide 'datacasting' services, such as information programs, interactive home shopping, games, banking or bill paying. Broadcasters (except the ABC and SBS) are currently not allowed to use this leftover spectrum for multi-channelling (the provision of multiple separate programs) or pay television.

Digital transmission will be simulcast along with existing analogue transmissions for at least eight years, after which the networks will be obliged to hand back the spectrum currently being used for their analogue services.

In May 2004, the Minister for Communications Information Technology and the Arts announced that four thematic reviews were to be undertaken during 2004, covering various aspects of digital broadcasting, including the prohibition on multi-channelling by free-to-air broadcasters, and the efficient allocation of spectrum for digital television. Reports on these reviews were due to be completed by the end of 2005.

Source: Australian Communications and Media Authority, formerly the Australian Broadcasting Authority (www.aba.gov.au), Digital Broadcasting Australia (www.dba.org.au)

Industry overview

EMPLOYMENT

Free-to-air and pay TV

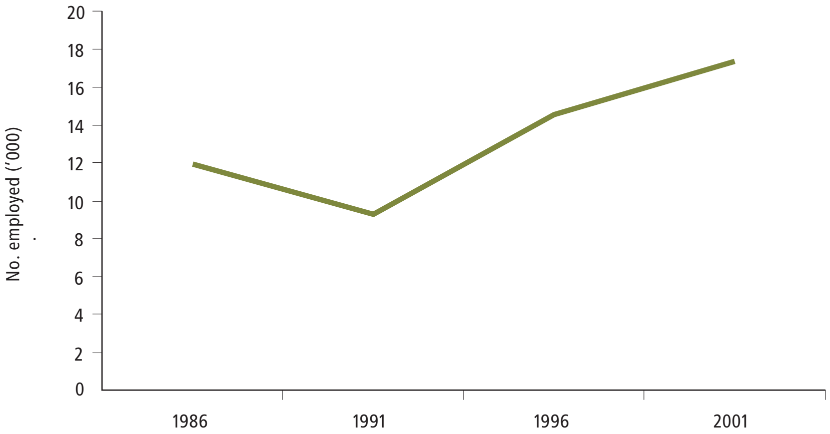
Census data shows 17,388 people employed in the television services industry in 2001, 19 per cent more than the number indicated by the 1996 census.

- Most are full-time employees (78 per working 35 hours or more).
- Most (58 per cent) are men, although the proportion of women has increased over the years, from 33 per cent in 1986 to 42 per cent in 2001.

Employment growth has been higher in NSW and Victoria than in the other states.

Of the 53 Australian commercial television stations, most are owned by public companies.

EMPLOYMENT IN THE TELEVISION SERVICES INDUSTRY 1986–2001



Sources: ABS Census of Population & Housing, 1986, 1991, 1996, 2001
Note: As defined by the ABS, 'television services' includes pay TV operators and free-to-air television, both public and commercial.

... MARKETS AND OWNERSHIP

In total, there were 23 separate commercial television markets in Australia in 2003/04, and 52 individual television stations as of June 2004. A digital-only licence was issued in January 2005 to Mildura, Vic, bringing the total number of stations to 53 as of June 2005.

In 2003/04 the five metropolitan markets contained around 64 per cent of the national population but attracted about 77 per cent of all television advertising revenues. In contrast, the regional markets covered 36 per cent of the national population but attracted only 23 per cent of television advertising revenues. Per capita television advertising expenditure in metropolitan markets was almost double that in aggregated regional markets.

Most Australian commercial television stations are owned by public companies listed on the local stock exchange. Non-Australian citizens or companies controlled by non-Australians are prohibited from holding a controlling interest of more than 15 per cent equity interest in any company which owns or controls a commercial television broadcasting licence. The Australian Government is the ultimate owner of the ABC and SBS television services.

Network arrangements for the shared production, acquisition and distribution of programming among various commercial metropolitan stations in different markets were formed at an early stage. In fact, although the ownership of each of the metropolitan television stations has changed at least once over the years, the network affiliations of most metropolitan stations has remained the same.

... MARKETS AND OWNERSHIP 2003/4

	Ad. revenues ($m)	Population ('000s)	Ad. revenue per capita ($)	Ownership[1] based on network affiliation: Seven	Nine	Ten
Metropolitan markets (5 markets and 15 stations)						
Sydney	926	4,320	214	SEV	PBL	TEN
Melbourne	744	4,050	184	SEV	PBL	TEN
Brisbane	414	2,566	161	SEV	PBL	TEN
Perth	261	1,571	166	SEV	STV	TEN
Adelaide	205	1,312	156	SEV	SCB	TEN
Total metropolitan	*2,550*	*13,819*	185[2]			
Aggregated regional markets including Tasmania (5 markets and 15 stations)						
Northern NSW	165	1,893	87	PRT	SOT[4]	SCB
Queensland	154	1,489	103	SEV	WIN	SCB
Southern NSW	140	1,333	105	PRT	WIN	SCB
Victoria	131	1,086	121	PRT	WIN	SCB
Tasmania	50	486	103	SCB	WIN	SCB
Total aggregrated regional	*640*	*6,287*	*102*[2]			
Other regional markets (13 markets and 22 stations)						
Total other regional	*99*	*1,453*	*68*	3	3	3
All markets	**3,289**	**21,559**	**153**			

Source: Australian Communications and Media Authority, formerly the Australian Broadcasting Authority, ACNielsen & ATR Australia

Notes:

[1] KEY TO OWNERS

Listed companies

PRT Prime Television Ltd
PBL Publishing & Broadcasting Limited
SEV Seven Network Limited
SCB Southern Cross Broadcasting (Australia) Limited
SOT SP Telemedia Pty Ltd
STV Sunraysia Television Limited
TEN The Ten Group Limited

Unlisted companies[3]

IMP Imparja Television Pty Ltd
WIN Win Television Pty Ltd

[2] Average five-market total

[3] In recent years independent commercial television companies have been acquired by one of the larger regional groups leaving Imparja as the only small independent still in existence. Imparja and WIN TV are the only unlisted television companies.

[4] In April 2004, WSP announced it intended to sell its regional television interests, NBN Limited, to a listed associated company, SP Telecommunications Limited (SOT).

PHOTO CREDITS

Above:
ALL AUSSIES ADVENTURES: Glenn Robbins stars as *Russell Coight*

Photographer: James Penlidis

Courtesy: Working Dog Pty Ltd

Financial performance

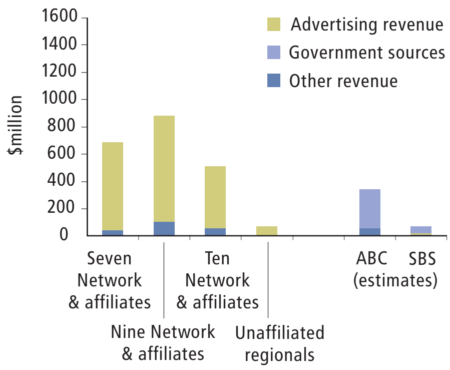
... REVENUES

Advertising is the main source of revenue for the commercial stations, while direct government appropriations are the main source for both the ABC and SBS services.

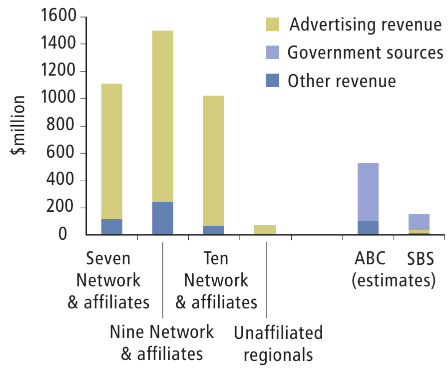
The commercial networks' revenue grew by 73 per cent between 1993/94 and 2003/04. Costs rose by 66 per cent.

ESTIMATED REVENUES

1993/94



2003/04



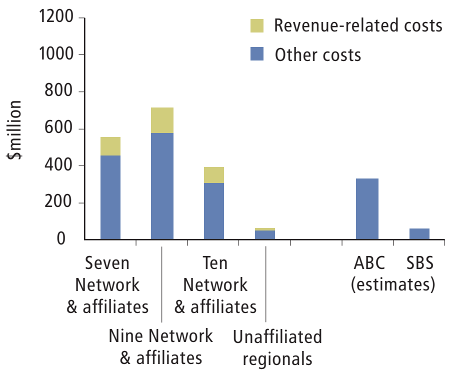
Source: Australian Communications and Media Authority, formerly the Australian Broadcasting Authority, Australian Broadcasting Corporation, Special Broadcasting Service Corporation, Global Media Analysis estimates
Note: For ABS and SBS, revenue is for television operations only.

... COSTS

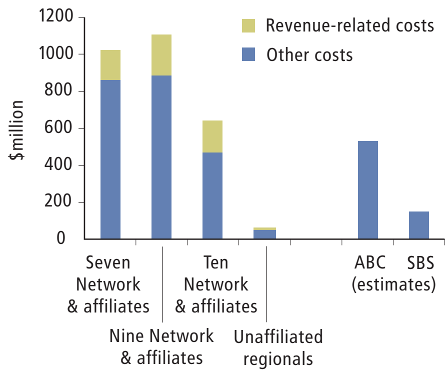
The entire television industry spent an estimated $3,540 million dollars, excluding interest charges, during fiscal 2004. The industry's two largest cost categories were programming and employee costs.

ESTIMATED OPERATING COSTS

1993/94



2003/04



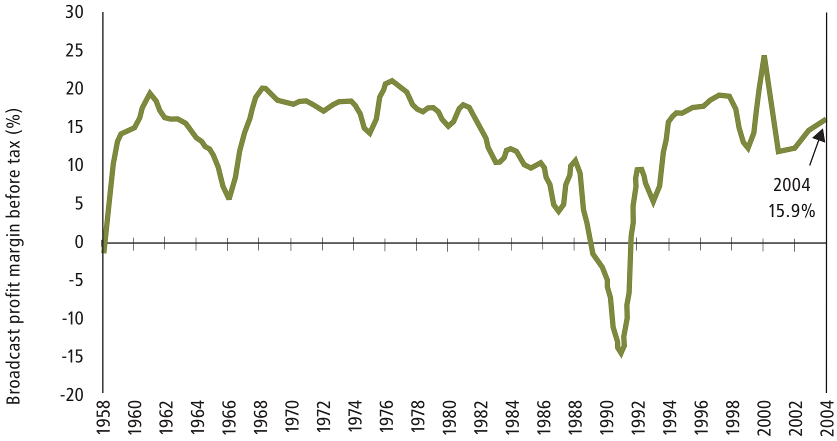
Source: Australian Communications and Media Authority, formerly the Australian Broadcasting Authority, Australian Broadcasting Corporation, Special Broadcasting Service Corporation, Global Media Analysis estimates
Notes: Revenue-related costs include agency commissions, other sales commissions and licence fees.
Excludes interest expenses.
For ABC and SBS, costs are for television operations only.

Commercial broadcasters

2004 saw a modest increase in revenue, profits and margins, as well as in television's overall share of advertising expenditure.

... PROFIT MARGINS

The many ownership changes that occurred in the commercial television sector between the mid 1980s and the early 1990s caused abnormal losses during the period. However, the sector had returned to healthy levels of profitability by the end of that decade. In fiscal 2001 and 2002, profit margins were reduced due to an unexpected decline in advertising revenue in calendar 2001. 2004 saw a modest rise in revenues, profit and margins.



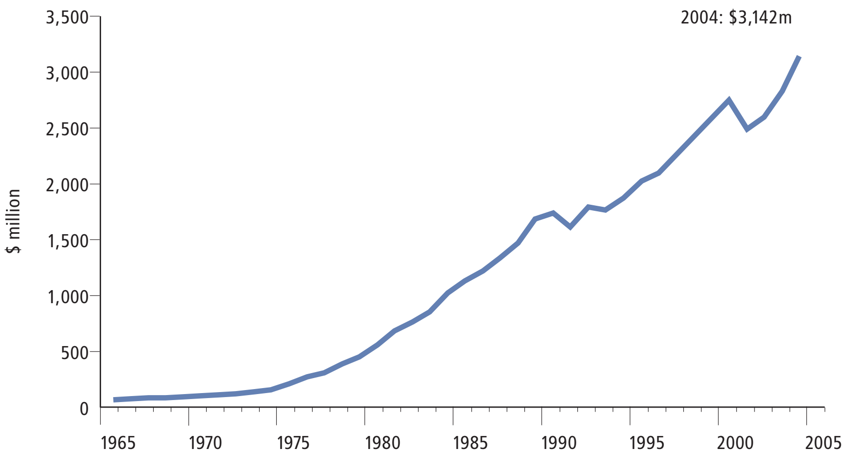
Source: Australian Broadcasting Tribunal, Australian Communications and Media Authority, formerly the Australian Broadcasting Authority
Notes: Broadcast profit is earnings before interest and tax (EBIT) less interest expense.

... ADVERTISING REVENUE

Free-to-air television is second only to newspapers in terms of share of total advertising expenditure in Australia, accounting for more than 35 per cent ($3.1 billion) of all advertising during calendar 2004. It is also the preferred medium of national advertisers, accounting for 53 per cent of all such advertising.

Figures for advertising on pay television were available for the first time in 2002, with this medium accounting for $67 million that year, $93 million in 2003 and $123 million in 2004.

Overall, free-to-air television's share of advertising expenditure grew slightly in 2004.



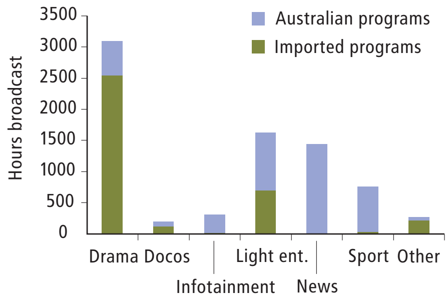
Source: Commercial Economic Advisory Service of Australia (CEASA)

...AUSTRALIAN CONTENT BY PROGRAM TYPE

As a condition of their broadcasting licences, commercial television stations must comply with certain Australian content and children's programming standards. The Australian content standard involves both an overall transmission quota (a minimum 55 per cent Australian content broadcast between 6 am and midnight), and minimum quotas for specific types of programs such as drama, documentaries and children's. All networks met their obligations in 2004.

Generally, each network produces most of its news, current affairs and sports programming in-house, but outsources varying percentages of its entertainment and information programs. The latest breakdown of hours broadcast (the year 2000) covers evening broadcasts only (5 pm to midnight). It shows drama accounting for just over 3,000 hours (40 per cent of total hours in this time period), comprising 2,544 hours of overseas programs and 542 hours of local programs.

HOURS BROADCAST (5PM TO MIDNIGHT) IN 2000



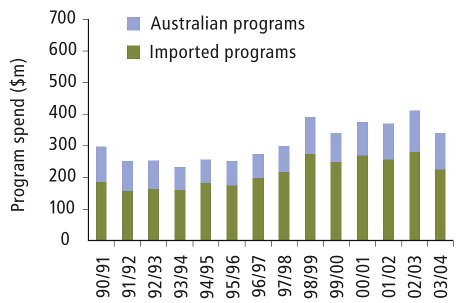
Source: Australian Communications and Media Authority, formerly the Australian Broadcasting Authority

... PROGRAM EXPENDITURE

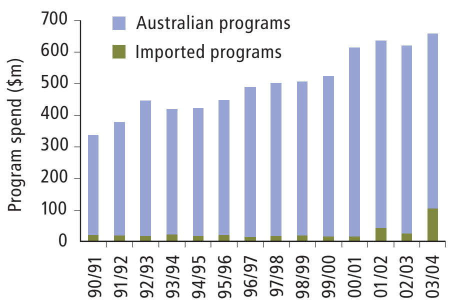
Commercial broadcasters spent more than $1 billion on programming in 2003/04, with expenditure on imported programs increasing compared to 2002/03, and spend on Australian programs decreasing.

Reversing an upward trend since 1999/2000, spending on Australian programming fell from $723 million in 2002/03 to $675 million in 2003/04, most notably in news and current affairs, children's programs other than children's drama, and documentaries. Australian drama spend in 2003/04 was $115 million, up from $90 million in 1999/2000 but down from $131 million in 2002/03. Australian 'other light entertainment' saw a marked increase, up 101 per cent since 1999/2000 from $68 million to $137 million.[1]

SPEND ON DRAMA PROGRAMS



SPEND ON OTHER PROGRAMS



Source: *Broadcasting Financial Results*, Australian Communications and Media Authority, formerly the Australian Broadcasting Authority (ABA).

PHOTO CREDITS

Above:
HOME AND AWAY – SECRETS AND THE CITY VIDEO

Daniel Collopy as *Josh West* and Tammin Sursok as *Dani Sutherland*

Courtesy:
Seven Network (Operations) Ltd

1. 'Other light entertainment' includes infotainment and lifestyle programs, today/tonight shows, quiz, panel and game shows.

Public broadcasters

Movies and drama accounted for the most broadcast hours on the ABC, while news and current affairs were the top programming type for SBS.

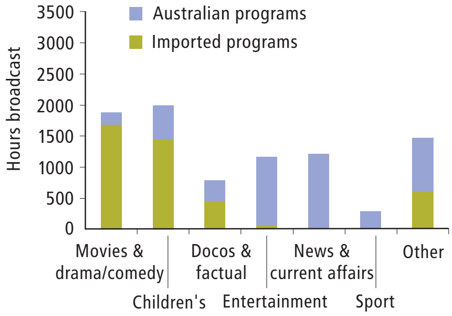
... AUSTRALIAN CONTENT BY PROGRAM TYPE

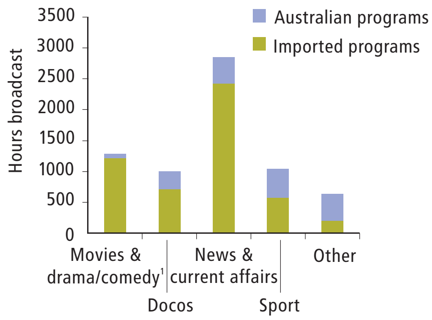
The top four types of programming for the ABC in terms of hours broadcast in 2004/05 were movies/drama (1,849 hours of which 19.2 per cent were Australian TV drama and 0.5 per cent Australian movies), children's (1,984 hours of which 27.6 per cent were Australian), entertainment (1,165 hours of which 94.8 per cent were Australian) and current affairs (848 hours of which 100 per cent were Australian).

Because of its multicultural brief, SBS tends to broadcast a higher proportion of imported programs (around 75-80 per cent) than the ABC or the commercial networks. News and current affairs was the top programming type in 2004/05 in terms of hours broadcast (2,856 hours, with 15 per cent local content). Second was sport and third, movies and features.

ABC 2005

SBS 2005





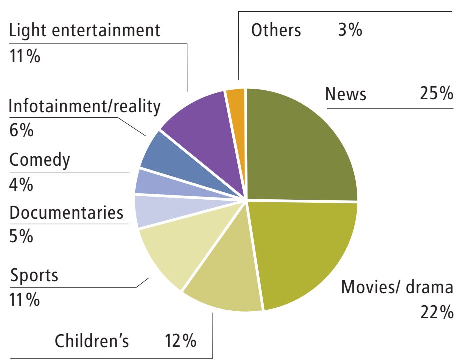
Source: Compiled by the Australian Film Commission from SBS and ABC annual reports.
Notes: ABC data includes all programming hours broadcast; SBS data includes all broadcast hours except advertisements, promotions or community service announcements.
[1] 'Movies and drama/comedy' for SBS includes shorts and features.

All broadcasters

... TYPES OF PROGRAM

The most common form of television programming between 6 am and midnight during 2003 across all free-to-air broadcasters, including the ABC and SBS (excluding commercials and station promotional material), was news and current affairs (25 per cent of total hours broadcast). Movies and drama together accounted for 22 per cent, and children's programming for 12 per cent, with sports and light entertainment each accounting for 11 per cent.

SHARE OF HOURS BROADCAST 2003



Source: OzTAM

Audience shares

.. BY NETWORK

The past decade has seen two distinct ratings trends. First, the two public networks (ABC and SBS) increased their combined audience from 16.4 per cent in 1994 to 21.5 per cent by 2004. Second, the comparative rankings of the three commercial networks remained fairly steady. The Nine Network (with an average annual overall prime time audience share during the decade of 31.5 per cent) won all but one of the annual ratings races, followed by the Seven Network (average 28.7 per cent share), with Network Ten trailing at a distant third (with an average 21.3 per cent share).

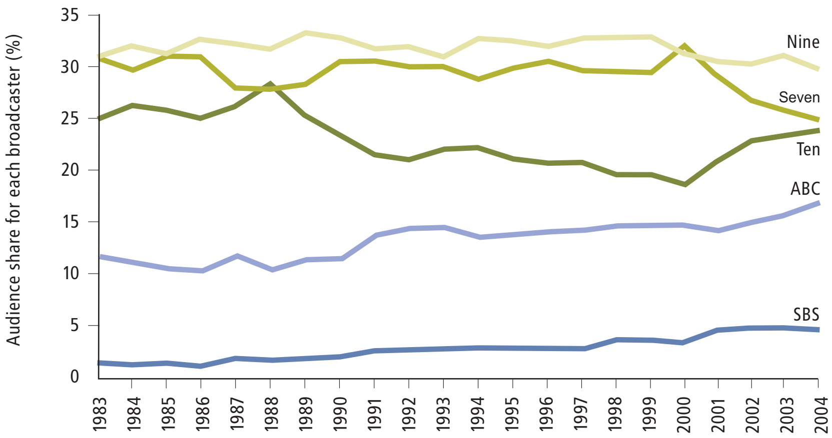
However, the traditional rankings among the three commercial networks were disrupted from the second half of calendar 2000 by two developments. First, a highly successful broadcast coverage of the Sydney Olympic Games propelled the Seven Network to the top ratings position for 2000 with a 32.2 per cent overall share.

Also, a new ratings system jointly owned by the three commercial television networks (through a company known as OzTAM), came into operation from the start of 2001. OzTAM's early rating results showed the Seven and Nine Networks to be much closer in ratings than had been indicated by the preceding ratings system operated by ACNielsen. The change initially caused wide concern throughout the industry as to the accuracy of the new and old ratings systems, but as OzTAM continued to establish itself, the differences between OzTAM and ACNielsen data became minimal.

Not all the networks seek to maximise viewer numbers with mass-appeal programming. ABC and SBS, for example, are mandated to cater for audiences with specialised needs, providing programming which does not necessarily have the broad appeal, so programming success for these broadcasters is not always best measured by a simple share of total audience.

Between 1994 and 2004, the ratings shares of the Seven and Nine Networks declined by 3.9 and 2.8 share points respectively, while those of Network Ten, the ABC and SBS rose by 1.7, 3.3 and 1.8 share points respectively. The ratings slide at the Seven Network was particularly sharp from 2001 to 2004. However, during the first eight months of 2005 to the end of August the network enjoyed a strong resurgence in its ratings performance, taking it much closer to the Nine Network and further away from Network Ten in the commercial network rankings.

Nine remained Australia's top-rating network in 2004, with Seven's share falling and Ten's on the rise.



Source: ACNielsen, *Australian TV Trends* to 2000; *OzTAM* from January 2001
Notes: Figures are per cent shares of free-to-air viewing, excluding pay television, videos and out-of-market stations. Figures include the Olympics (weeks 38 to 41 in 2000).
Comparison between data before and after January 2001 should take into account that a different audience measurement system has applied since that date.

Top programs

Australian titles listed in bold

Sport and reality programs have dominated the top 10 for the past three years.

2002

Rank	Program	Network	Total people ('000)	Rating (%)
1	**Test Australia – The National IQ Test 2002**	**9**	**2,779**	**20.9**
2	**World Cup Soccer Final**	**9**	**2,702**	**20.3**
3	**Ten's AFL Finals: 2002 Grand Final Collingwood v Brisbane**	**10**	**2,626**	**19.8**
4	**2002 Melbourne Cup Carnival: Melbourne Cup Race**	**7**	**2,503**	**18.8**
5	Friends	9	2,410	18.1
6	**Ten News First at Five – Sunday**	**10**	**2,400**	**18.1**
7	**Big Brother – Final Eviction**	**10**	**2,301**	**17.3**
8	**National Nine News – Sunday**	**9**	**2,260**	**17.0**
9	**Celebrity Big Brother for Charity Opening Night**	**10**	**2,250**	**16.9**
10	**NRL Grand Final**	**9**	**2,177**	**16.4**

2003

Rank	Program	Network	Total people ('000)	Rating (%)
1	**2003 Rugby World Cup: Final Australia v England**	**7**	**4,016**	**29.7**
2	**Australian Idol – The Final Verdict**	**10**	**3,300**	**24.4**
3	**The Block – The Auction**	**9**	**3,115**	**23.0**
4	**Ten's AFL Finals: 2003 Grand Final Collingwood v Brisbane**	**10**	**2,966**	**21.9**
5	**Cricket World Cup 2003: Final Australia v India Session 1**	**9**	**2,465**	**18.2**
6	**National Nine News Sunday**	**9**	**2,420**	**17.9**
7	World Idol – Performance Show	10	2,401	17.7
8	**Rugby League Grand Final**	**9**	**2,352**	**17.4**
9	**Big Brother Final Eviction**	**10**	**2,267**	**16.8**
10	**2003 Melbourne Cup Carnival: Melbourne Cup Race**	**7**	**2,244**	**16.6**

2004

Rank	Program	Network	Total people ('000)	Rating (%)
1	**Australian Idol – The Final Verdict**	**10**	**3,344**	**24.5**
2	**Big Brother – The Winner Announced**	**10**	**2,864**	**21.0**
3	**Ten's AFL Finals: 2004 Grand Final Port Adelaide v Brisbane**	**10**	**2,796**	**20.5**
4	**Seven News (Sun)**	**7**	**2,556**	**18.7**
5	**The 2004 Melbourne Cup Carnival: Melbourne Cup Race**	**7**	**2,471**	**18.1**
6	**Seven's Athens Olympics: Opening Ceremony**	**7**	**2,304**	**16.9**
7	**The Block – The Auction**	**9**	**2,276**	**16.7**
8	**46th Annual TV Week Logie Awards**	**9**	**2,274**	**16.7**
9	Friends	9	2,273	16.6
10	**National Nine News (Sun)**	**9**	**2,178**	**16.0**

Source: OzTAM, compiled by the Australian Film Commission
Notes: All people, 5-city metropolitan average. For series, figure is highest-rating episode.
Coverage of overseas sporting events is designated by the networks as 'Australian' when they send commentary and camera crews to the event.

Top-rating drama series

Australian titles listed in bold

2002 DRAMA/COMEDY

Rank	Program	Network	Total people ('000)	Rating (%)
1	Friends	9	1,850	13.9
2	**All Aussie Adventures**	**10**	**1,721**	**13.0**
3	Malcolm in the Middle	9	1,632	12.3
4	ER	9	1,619	12.2
5	**Blue Heelers**	**7**	**1,508**	**11.3**

2003 DRAMA/COMEDY

Rank	Program	Network	Total people ('000)	Rating (%)
1	**Kath and Kim (series 2)**	**ABC**	**1,754**	**13.00**
2	CSI: Crime Scene Investigation	9	1,641	12.10
3	Friends	9	1,630	12.00
4	CSI: Miami	9	1,579	11.70
5	Law & Order: Criminal Intent (Thurs)	10	1,515	11.20

2004 DRAMA

Rank	Program	Network	Total people ('000)	Rating (%)
1	CSI: Crime Scene Investigation	9	1,898	13.9
2	Law & Order: SVU	10	1,630	11.9
3	Cold Case	9	1,618	11.9
4	Law & Order: Criminal Intent	10	1,585	11.6
5	CSI: Miami	9	1,583	11.6

2004 COMEDY

Rank	Program	Network	Total people ('000)	Rating (%)
1	**Kath and Kim (series 3)**	**ABC**	**1,829**	**13.4**
2	Friends	9	1,717	12.6
3	My Wife and Kids (Mon)	7	1,344	9.8
4	Becker	10	1,336	9.8
5	Everybody Loves Raymond (Tues)	10	1,328	9.7

Source: OzTAM, compiled by the Australian Film Commission
Notes: All people, 5-city metropolitan average. Average rating across whole series.

The ABC's Kath and Kim beat Friends to the no. 1 comedy spot in both 2003 and 2004.

PHOTO CREDITS

Above:
KATH AND KIM

Gina Riley (left) as *Kim Craig nee Day* and Jane Turner as *Kath Day-Knight*.

Courtesy:
Riley Turner Productions and ABC TV.

Australian series rating above 10

	No. programs	Titles
1999	* * * * *	Seachange (16.3), Blue Heelers, Water Rats, Home & Away, All Saints (10.8)
2000	* * * *	Seachange (13.7), Blue Heelers, All Saints, Home & Away (10.9)
2001	* * * * * *	Blue Heelers (13.4), Always Greener, All Saints, All Aussie Adventures, McLeod's Daughters, Home & Away (10.6)
2002	* * * *	All Aussie Adventures (13), Blue Heelers, All Saints, McLeod's Daughters (10.6)
2003	* * * *	Kath and Kim series 2 (13), McLeod's Daughters (11.1), Blue Heelers (10.3), All Saints (10.1)
2004	* *	Kath and Kim series 3 (13.4), McLeod's Daughters (11.1)

Source: Compiled by the Australian Film Commission from ACNielsen and OzTAM data
Notes: All people, 5-city metropolitan average.

Top-rating documentaries

Australian titles listed in bold

2002

Rank	Program	Network	Households ('000)	Rating (%)
1	How the Twin Towers Collapsed	7	325	22.4
2	**RPA (series)**	**9**	**300**	**20.7**
3	**Australian Story: A Big Hand for Ruth**	**ABC**	**278**	**19.2**
4	Billy Connolly's World Tour: Dublin	ABC	265	18.3
5	In Memoriam: New York City 9/11	9	253	17.5

2003

Rank	Program	Network	Households ('000)	Rating (%)
1	Living with Michael Jackson	7	354	23.7
2	**RPA (series)**	**9**	**289**	**19.4**
3	The Bee Gees Story	9	278	18.6
4	**Australian Story – The Trouble with Charlie**	**ABC**	**274**	**18.4**
5	Michael Jackson Take 2	9	252	16.9

2004

Rank	Program	Network	Households ('000)	Rating (%)
1	Seven Wonders of the Industrial World – The Panama Canal	ABC	312	20.7
2	Pompeii: The Last Day	9	289	19.2
3	**Australian Story – Into The Forest – Part 1**	**ABC**	**274**	**18.2**
4	**Dynasties – Durack Dreaming (The Duracks)**	**ABC**	**265**	**17.6**
5	Himalaya with Michael Palin: North by Northwest	ABC	256	17.0

Source: OzTAM, compiled by the Australian Film Commission
Notes: All households, 5-city metropolitan average. For series, figure is highest-rating episode.

Top-rating movies

Australian titles listed in bold

2002

Rank	Program	Network	Total people ('000)	Rating (%)
1	The Sixth Sense	7	1,842	13.9
2	Double Jeopardy	9	1,744	13.1
3	The Matrix	9	1,741	13.1
4	**The Wog Boy**	**7**	**1,523**	**11.5**
5	Big Daddy	10	1,519	11.4

2003

Rank	Program	Network	Total people ('000)	Rating (%)
1	Charlie's Angels	10	2,079	15.4
2	What Women Want	9	1,768	13.1
3	Miss Congeniality	9	1,723	12.7
4	Cast Away	9	1,681	12.4
5	Space Cowboys	9	1,637	12.1

2004

Rank	Program	Network	Total people ('000)	Rating (%)
1	Shrek	9	1,671	12.2
2	Ocean's Eleven	9	1,595	11.7
3	Bridget Jone's Diary	10	1,504	11.0
4	Harry Potter and the Philosopher's Stone	9	1,431	10.5
5	Miss Congeniality	9	1,415	10.4

Source: OzTAM, compiled by the Australian Film Commission
Notes: All people, 5-city metropolitan average.

In 2004, the top local movie was Rabbit-proof Fence, with a rating of 8.8%.

PHOTO CREDITS

BACKYARD BLITZ

For left to right:
Scott Cam, Jody Rigby, Nigel Ruck and (in front) Jamie Durie.

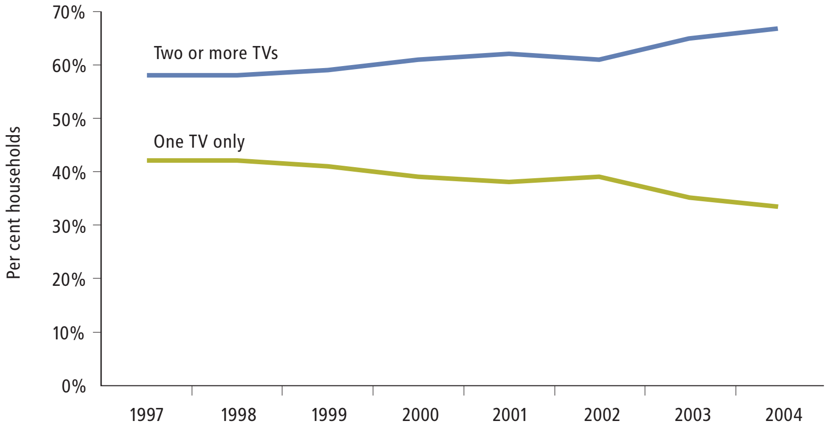
Courtesy:
Network 9 (Nine Insights).

TV market penetration and viewing patterns

TV HOUSEHOLDS

Television penetration in Australia is high. In 2004 more than 99 per cent of Australian metropolitan households had one or more television sets; 67 per cent had two or more and 28 per cent had three or more. In addition, at the end of 2004, 22–23 per cent of all Australian households also subscribed to a pay television service.

See also Pay TV: Subscriber numbers by operator, page 66.

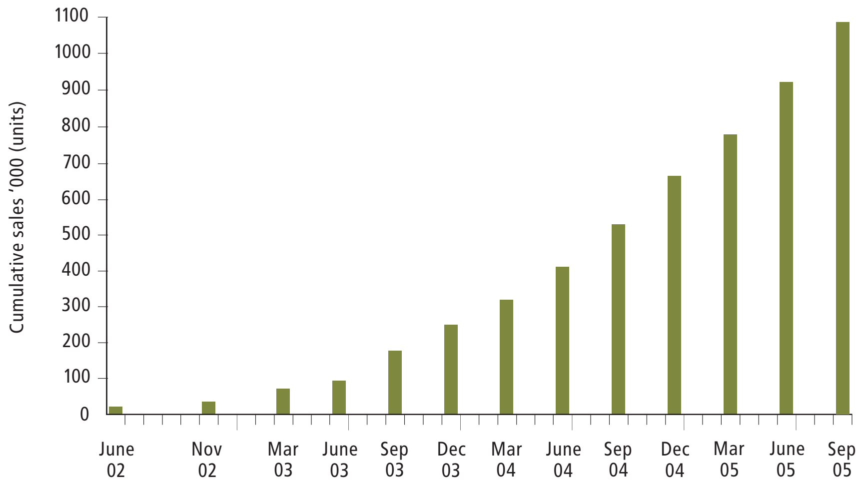


Source: ACNielsen, *Australian TV Trends* to 2000, OzTAM from 2001

DIGITAL RECEPTION

The number of digital TV receivers in Australia has been rising steadily, with a total of 1,085,000 units sold to retailers by suppliers as of September 2005.

In June 2005, Digital Broadcasting Australia (DBA) estimated that around 820,000 Australian homes were receiving digital free-to-air television services (a penetration of about 10.8 per cent).

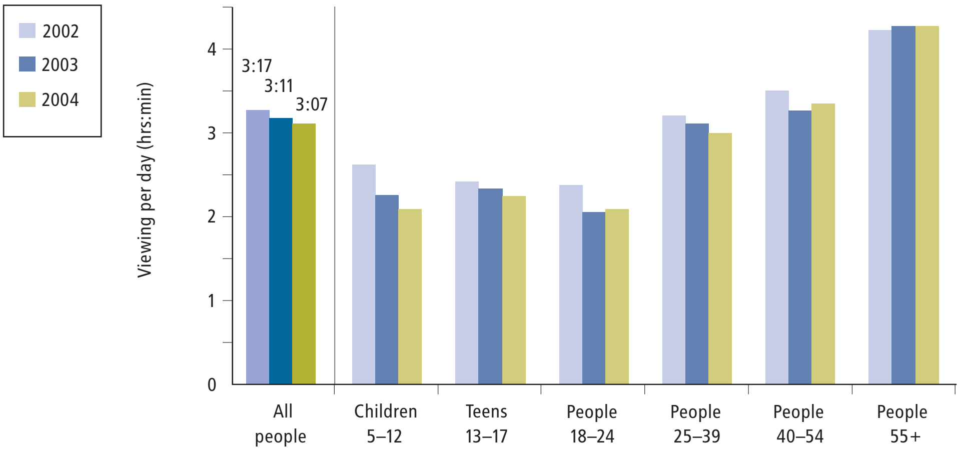


Source: Digital Broadcasting Australia

TV VIEWING

Television is the primary source of news, information and entertainment for most Australians and consequently its daily usage is high – second only to radio. In 2004 the average Australian in a metropolitan market watched about 3 hours and 7 minutes of television each day of the week.

Adults over the age of 55 are the heaviest users, averaging 4 hours and 17 minutes of viewing per day in metropolitan markets, while young adults, teens and children are the lightest users, averaging under two and half hours per day. In 2004 television viewing fell among most age groups, increased slightly for 18–24 and stayed the same for 55+. Generally, people under 40 are watching less TV now than they were in 1991, and people over 40 are watching around the same.



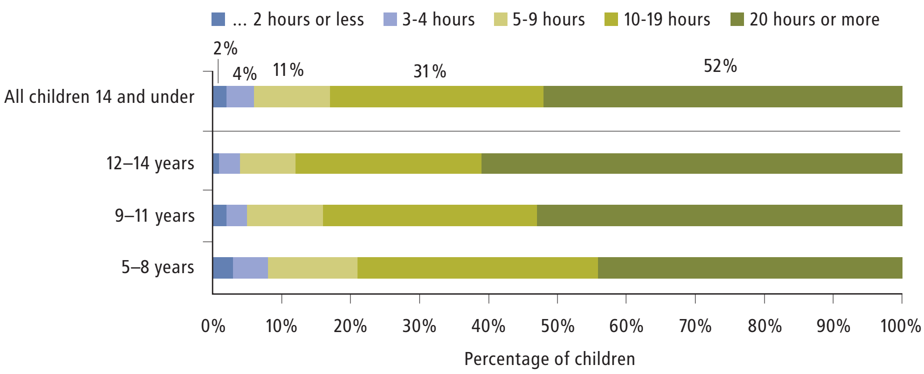
Source: OzTAM
Notes: Based on averages of the five mainland capital cities; all households, whether pay TV or not.

CHILDREN'S TV VIEWING

A 2003 ABS survey showed that gender, age, birthplace and place of usual residence made no significant difference to the proportion of children who had watched television or videos in the two weeks before being interviewed. However, there were significant differences across the age groups in the amount of time spent on this activity, with the highest viewing levels among the older children: 60 per cent of those aged 12 to 14 years had watched at least 20 hours of television or videos, compared with 54 per cent of children aged 9 to 11 years and 44 per cent of those aged 5 to 8.

These results are largely unchanged from the previous survey, conducted by the ABS in April 2000.

CHILDREN WATCHING TV OR VIDEO OVER TWO-WEEK PERIOD[1] FOR ...



Source: ABS, Children's Participation in Cultural and Leisure Activities (cat. no. 4901.0)
Notes: [1] During the most recent two school weeks prior to interview in April 2003.

PHOTO CREDITS

Above:
FAT COW MOTEL
Brendan Cowell as *Jack* and Kate Atkinson as *Cassie*

Photographer:
Vincent L. Long

Courtesy:
Hoodlum Entertainment

Free-to-air TV data in Get the Picture Online www.afc.gov.au/gtp

INDUSTRY OVERVIEW: EMPLOYMENT

UPDATED THE YEAR AFTER EACH CENSUS (LATEST DATA 2001; NEXT UPDATE DUE 2007)

Employment patterns by industry (includes the television services industry):
Industries by state; States by industry;
Men and women; Qualifications; Qualifications by gender; Hours worked;
Income; Income by gender; Country of birth.

Occupations: By industry (audiovisual and other industries); By gender.

WHAT AUSTRALIANS ARE WATCHING: FREE-TO-AIR TV

GENERALLY UPDATED APRIL/MAY/JUNE EACH YEAR

Trends and issues
Bob Peters looks at the big picture for the small screen.

Industry structure:
Markets and ownership; Historical development, Employment.

Financial performance:
Advertising revenue (TV and other media); Revenues; Costs; Profit margins.

Programming:
Expenditure; Expenditure share; Program types.

Commercial broadcasters:
Regulation; Summary 1998–2000: Hours broadcast;
By network 1998: Australian content – Hours broadcast; Program sources;
Drama programs: Australian content – Broadcast hours; Commercials.

Public broadcasters:
ABC: Australian content – Hours broadcast. SBS: Australian content – Hours broadcast.

Ratings:
Trends in audience share for free-to-air TV;
By network; By network and market.

Top programs:
All programs 1998, 1999, 2000, 2001, 2002, 2003, 2004;
Documentaries 1998-2004;
Movies 1998, 1999, 2000, 2001, 2002, 2003, 2004; Telemovies 2004;
Drama/comedy series1998-1999, 2000, 2001, 2002, 2003;
Drama series 2004; Comedy series 2004;
Mini-series 2002-2004;
Animations.

Viewing patterns:
TV sets; Digital reception; Time of day; Program recording; By age; Children.

Free-to-air multi-channelling

The digitalisation of terrestrial free-to-air television networks enables much greater channel-carrying capacity for broadcasters. In Australia the spectrum awarded to each of the incumbent free-to-air broadcasters would enable them to carry three or four digital channels of equivalent quality to the current analogue service. Depending on the amount of high-definition TV broadcast, this leaves spare capacity for two or three more channels in addition to the required replica of the existing analogue channel.

Only the ABC and SBS are currently allowed to use more than one digital channel. Until mid-2003, the ABC was broadcasting *ABC Kids* and *Fly* on its two additional digital multi-channels. Following the closure of these two digital channels, the ABC launched the generalist channel ABC2, largely offering time-shifted ABC programming and a small amount of new programming. SBS is still broadcasting a World News channel and an electronic program guide (EPG) on its additional digital channels.

Commercial free-to-air broadcasters have so far demonstrated mixed interest in multi-channelling. A review of the legislation that currently forbids their involvement was announced by the Minister for Communications, Information Technology and the Arts in May 2004, due to be completed in the first half of 2006.

Datacasting

Datacasting is most often used for massive distribution of information (data) in a one-way broadcast, using the same terrestrial transmission system as television. In Australia, two types of operator can datacast:

- incumbent free-to-air broadcasters (using the spare spectrum left over after transmitting their digital television signals); and
- stand-alone datacasters who have purchased a datacast licence and spectrum.

Datacasting spectrum was to be offered by auction but the auctions were abandoned in 2001 when it became clear there was little commercial interest. Following a review in 2002, the government decided not to proceed with the long-term allocation of datacasting transmitter licences, although incumbent broadcasters can still provide licensed datacasting services using their digital spectrum. The government reserves the right to auction datacasting licences in the future, and has agreed to make spectrum available for trials, on a temporary basis.

Nevertheless, the Australian Communications and Media Authority, formerly the Australian Broadcasting Authority, has allocated datacasting licences to all the commercial networks and SBS, and awarded the ABC a datacasting licence in October 2003. The first commercial datacasting licence was also awarded in October 2003 – to Broadcast Australia Ltd, and its new datacasting service Digital Forty Four began trials in Sydney in March 2004. The trials feature six information services: a video program guide listing programs on all free to air digital TV channels; news, sport weather from the ABC, real-time traffic, coast watch and other community information from the NSW State Government; EXPO Shopping; SportsTAB data; and audio broadcasts for Federal Parliament.

Datacasting too is under review by the Department of Communications, Information Technology and the Arts in its Digital Television Reviews. Reports are due in the first half of 2006.

Sources: Digital Broadcasting Australia (dba.org.au), Department of Communications, Information Technology and the Arts (www.dcita.gov.au); *Flexible vision: a snapshot of emerging audiovisual technologies and services, and options for supporting Australian content*, AFC, Nov. 2003

4

Pay television

Since its launch in 1995, pay TV has slowly been finding a place in Australian homes. Around 22–23 per cent of households subscribed in 2004, with pay channels accounting for around half of all TV viewing in those households.

Fast facts

	'01	'02	'03	'04
NO. OF HOMES WITH PAY TV	1.46m	1.45m	1.5m	1.66m
% OF HOMES WITH PAY TV	21–22%	21–22%	22–23%	22–23%
SHARE OF VIEWING IN PAY TV HOMES			49.7%	52.9%
ADVERTISING REVENUE		$67m	$93m	$123m
PROGRAM EXPENDITURE BY DRAMA CHANNELS	$195m	$206m	$199m	$177m
- ON NEW AUSTRALIAN DRAMA	18.2m	$21m	$19m	$18m

Source: ACNielsen, OzTAM, CEASA, ACMA

Pay television in Australia

The introduction of pay TV in the mid 1990s coincided with the partial deregulation of Australia's telecommunications industries. Australia's two dominant telcos, Telstra and Optus, became involved in pay TV in order to diversify into the expanding home entertainment market. Each company installed its own cable infrastructure using pay TV as a way of leveraging market dominance in the $5 billion Australian telephone business and in future online services.

This vision of pay TV as part of a broader set of services was underlined by the 'channel sharing' arrangements introduced in November 2002, which not only allowed the pay TV operators to offer customers the same packages of programming, but also allowed Foxtel shareholder Telstra to bundle a Foxtel pay TV subscription with its phone and Internet services, mirroring what Optus had been doing for several years (see Channel sharing and service 'bundling').

THE PLAYERS

Foxtel, owned by Telstra (50 per cent), News Corporation (25 per cent) and Publishing and Broadcasting Limited (25 per cent), is now the most powerful player in the Australian pay TV landscape, controlling the bulk of programming through ownership or distribution agreements. It also has the largest number of subscribers and the most extensive reach on its combined cable and satellite networks. Foxtel Digital was launched in March 2004, with new services including near video-on-demand channels, 'enhanced' programming and some interactive services.

Optus, owned by overseas company SingTel (Singapore Telecommunications), sells pay TV packages to its customers on its high-speed cable network operating in Sydney, Melbourne and Brisbane, along with local and long-distance phone calls and Internet services. As well as reselling the Foxtel channels (see Channel sharing and service 'bundling'), it still provides two channels of its own, MTV Australia and Ovation, but outsources their production to a digital media company Omnilab.

The other key operator is Austar, which provides mainly satellite services to around 514,000 (June 2005) subscribers in rural and regional centres largely across Eastern Australia, as well as Hobart and Darwin. UnitedGlobalCom (UGC) and Australian private equity firm Castle Harlan Australian Mezzanine Partners (CHAMP) control 81.3 per cent of Austar, which also bundles video, mobile telephony and Internet services. Austar has carried the widest variety of programming from all program providers for many years so its program line-up was largely unaffected by the Optus–Foxtel deal. Austar Digital was launched on 14 March 2004.

PROGRAM CHANNELS

Ownership at the channel provider level is broad and ranges from the pay TV operators and Australian free-to-air commercial broadcasters to joint ventures between local operators, Hollywood studios and other foreign producers. Austar's 50 per cent owned joint venture with Foxtel, XYZ, owns and/or distributes Nickelodeon, Discovery, Channel [V], musicMAX, Arena, The Lifestyle Channel and The Weather Channel.

As of mid 2004, more than 70 channels were available through the three main operators. Some channels ended up with wider distribution as a result of the Optus–Foxtel content sharing deal. The major beneficiary was Movie Network, owned by Hollywood studios MGM, Disney and Warner Bros, with Village Roadshow as a partner and operating three channels – Movie One, Movie Greats and Movie Extra. The Movie Network previously had access only to Austar and Optus subscribers (a total of around 680,000), but it can now reach all 1.7 million pay TV homes. Foxtel Digital offers more than 100 channels.

In Australia, subscription television licences do not have 'must carry' provisions that require free-to-air television services (commercial, public and/or community) to be carried on pay TV. However, Australian pay TV licensees do re-broadcast some free-to-air services on their cable services. Satellite services do not re-transmit commercial free-to-air channels because of bandwidth constraints.

LOCAL PRODUCTION

Local content legislation requires pay TV drama channels to spend 10 per cent of their total program expenditure on new eligible Australian and New Zealand drama programs.

The drama services spent $17.7 million on Australian production in 2003/04 – $9.25 million short of the requirement, which included a $9.1 million shortfall carried over from the previous year.

About 22–23 per cent of Australia's television homes subscribed to pay TV in 2004.

1

Pay television in Australia

The quota spend is just a portion of the amount that the pay TV industry as a whole now spends each year on programming for the Australian market, according to the Australian Subscription Television and Radio Association (ASTRA), with much of that spent on new Australian programming across a range of non-drama channels.

On 1 July 2005, the two regulators, the Australian Broadcasting Authority (broadcasters) and the Australian Communications Authority (telcos) merged to become the Australian Communications and Media Authority (ACMA). ACMA is responsible for the regulation of broadcasting, radiocommunications, telecommunications and online content in Australia.

ADVERTISING AND AUDIENCE SHARES

Advertising on pay television has been allowed since July 1997. According to CEASA figures, revenue totalled $67 million in 2002, $93 million in 2003, and reached $123 million in 2004.

Until March 30 2003, pay TV audiences were measured under a system provided by ACNielsen, but Nielsen's contract was not renewed as the industry preferred its viewers to be counted alongside free-to-air viewers. An agreement with the free-to-air ratings provider OzTAM was reached in July 2003, and reporting of pay TV ratings figures resumed in August.

The available data indicates that movies, sports and general entertainment have been the top-ranking channels, with Showtime, Fox 8, Fox Sports, TV1, Disney Channel, the Lifestyle Channel and Arena regularly making the top five.

Pay TV has been successful in pulling some audience away from the free-to-air networks, accounting for around half of the available viewing hours in pay TV homes in 2004.

INTO THE FUTURE

The development of digital interactive services remains the biggest challenge facing the industry, and with market leader Foxtel now providing digital services, there is hope that the sector will start to take off. Foxtel CEO Kim Williams has predicted that penetration will hit 35–40 per cent by 2008.

Edited extracts from 'Pay TV in Australia', Get the Picture Online, www.afc.gov.au/gtp

IMAGE CREDITS

Above:
YAKKITY YAK
Courtesy:
Kapow Pictures

Channel sharing and service 'bundling'

In November 2002, the Australian Competition and Consumer Commission (ACCC) gave in principle approval to 'channel sharing' arrangements between number one platform operator Foxtel and rival Optus, allowing subscribers to each service to get extra channels previously shown only on the other. The deal also allowed Foxtel shareholder Telstra to bundle a Foxtel pay TV subscription with other consumer offerings including fixed-line phone services and mobile phone and Internet accounts, as Optus has successfully done with Optus TV for several years.

The deal gives Foxtel a near monopoly on the industry and means Optus can move away from being a pay TV operator to a reseller of Foxtel's pay TV services, which it had wanted to do after several years of continuous losses. As part of the arrangement, Foxtel agreed to take on $600 million of Optus financial liabilities, in particular those to the Hollywood studios which supply movies to the pay operators.

The key aspect of the deal means that all three platforms – Foxtel, Optus and regional and rural operator Austar – are able to offer customers the same packages of programming. In addition, once terms and conditions are determined, it will allow companies like Neighborhood Cable in regional Victoria and TransACT in Canberra to have access to Foxtel programming at wholesale rates.

The ACCC's approval of the deal was subject to key stakeholders Foxtel, Optus, Telstra and Austar fulfilling certain undertakings designed to ensure meaningful competition in the industry. In December 2003 the ACCC rejected initial undertakings from Telstra Multimedia and Foxtel, and new undertakings were lodged in late December 2003.

In early 2004, the ACCC accepted these new access undertakings, which determine the terms and conditions under which other service providers can access Telstra's hybrid-fibre coaxial cable network and Foxtel's analogue set-top units in the absence of commercial agreement between the parties. These undertakings address ACCC concerns about previous undertakings by Telstra Multimedia and Foxtel. (For more information see www.accc.gov.au and search on pay TV.)

Industry structure

... MARKETS AND OWNERSHIP

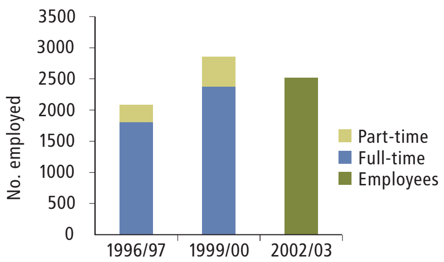
Foxtel and Optus are the main pay TV players in the main metropolitan areas, with Foxtel now 'wholesaling' its services to Optus, and both Optus and Foxtel shareholder Telstra 'bundling' pay TV as part of their telecommunications and Internet packages. Austar provides services in regional and rural areas, as well as Hobart and Darwin. There are also smaller companies that serve a particular area like Neighborhood Cable (regional Victoria) and TransACT (ACT).

	Ownership	Areas of operation	Delivery systems
Foxtel	Telstra 50%; News Ltd 25%; Publishing and Broadcasting Ltd (PBL)25%	Sydney, Melbourne, Brisbane, Adelaide, Perth, Canberra, Newcastle, Central Coast (NSW), Geelong, Gold Coast (Qld) and regional WA	Cable, DTH satellite
Optus TV	Singapore Telecommunications (SingTel) 100%	Sydney, Melbourne, Brisbane	Cable
Austar United Communications Ltd	UnitedGlobalCom (UGC) and Australian private equity firm Castle Harlan Australian Mezzanine Partners (CHAMP) control 81.3% of Austar. Remaining % owned by public share holders.	Regional and rural Australia; Hobart and Darwin	DTH satellite; cable network for Darwin only due to climate; wireless cable network[1]
Neighborhood Cable	Public company listed on the Australian Stock Exchange	Mildura, Ballarat Geelong	Cable
TransACT	From February 2004 ActewAGL has managed the day-to-day operations of TransACT. Ownership of ActewAGL is shared equally between AGL (Australian Gas Light Company) and ACTEW Corporation, a government-owned enterprise.	Canberra, Queanbeyan	Cable

Source: www.foxtel.com.au, www.optus.com.au; www.austarunited.com.au; www.neighborhoodcable.com.au; www.transact.com.au; Communications Update Issue 165 December 2003
Notes: DTH or direct-to-home, usually refers to satellite delivery
[1]Expected to be converted to satellite.

... EMPLOYMENT

According to the latest ABS industry survey (2002/03), there were 2,517 people employed by the pay operators (Foxtel, Optus TV, Austar, etc.) in June 2003.



Source: ABS, Television, Film and Video Production (cat. no. 8679.0) 2002/03; Television Services (cat. no. 8559.0) 1999/2000
Notes: As at June each year.

PHOTO CREDITS

SHOCK JOCK

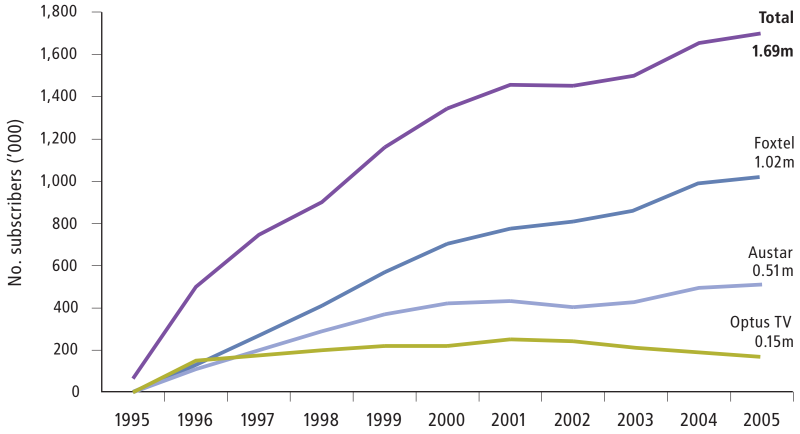
Clockwise from top left: Sancia Robinson as *Tracy Tracey*, Tom Budge as *Clive Rank*, Mathew Dyktynski as *Barry Gold*, Tim Ferguson as *Vox*, Michael Veitch as *Jack Piper*, Fiona Todd as *Ruth Sharp*, Tiriel Mora as *Neville Roach* and Cassandra McGrath as *Stephanie Thorn*

Courtesy: Mockingbird, Mondayitis and TV1 Productions

Subscriber numbers

... BY OPERATOR

As at June 2005, the three main pay TV operators, Foxtel, Optus TV and Austar, had 1.7 million subscribers, representing around 22–23 per cent of Australian homes.

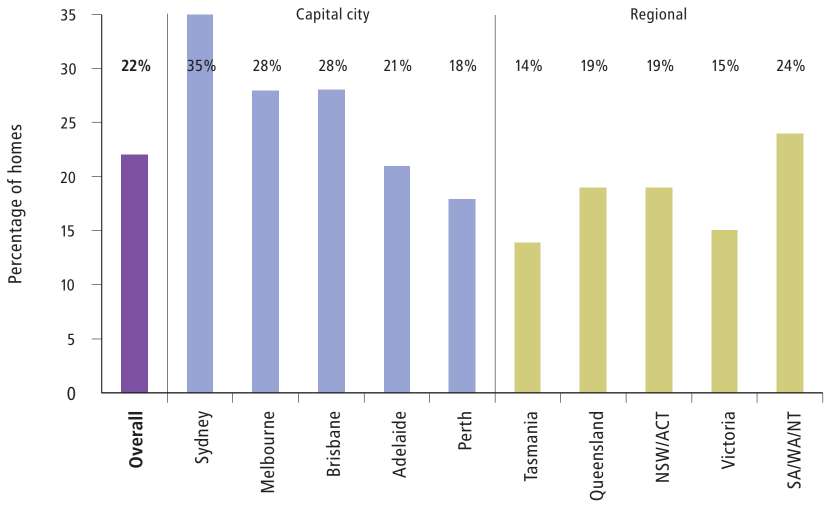


Sources: Austar website, News Corp quarterly earnings report and previously *Digital Broadcast Australia* (incorporating *Australian Pay TV News)*

... BY LOCATION

Pay TV penetration is highest in Sydney, with 35 per cent of households subscribing in 2004, and lowest in Perth with 18 per cent based on total people. The level of pay TV subscription generally in regional areas (NSW, Queensland and Victoria) tends to be lower than in the metropolitan areas, except for Perth.

PAY TV BY LOCATION, 2004



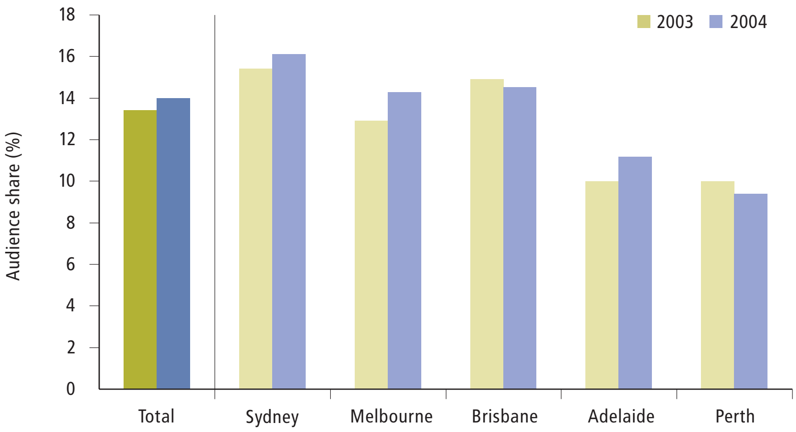
Source: Nielsen Media Research Panorama, Jan – Dec 2004, Television Review of 2004, ASTRA website at: www.astra.org.au (Industry Overview: Research).

Share of viewing

... ACROSS ALL METROPOLITAN TV HOUSEHOLDS

Pay TV's total audience share tends to be around 14 per cent in metropolitan TV homes. It is highest in Sydney (16 per cent) in 2004 and lowest in Perth (9.2 per cent).

Pay TV penetration and total audience share tend to be higher in metropolitan areas – with Sydney the highest.



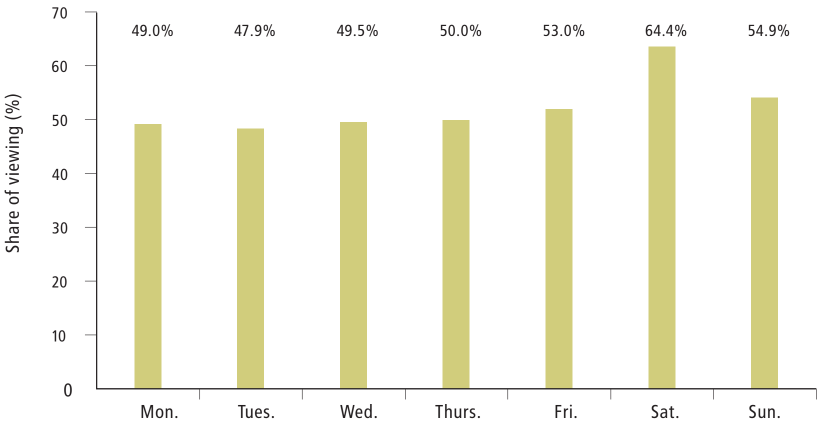
Source: 2003 OzTAM weekly Metropolitan share of all viewing reports, 2004 OzTAM Ratings Snapshot, based on 24 hours, 52 weeks.

... IN PAY TV HOUSEHOLDS, NATIONALLY

Pay TV's share of viewing in households that subscribe was 49.7 per cent in 2003 and 52.9 per cent in 2004, according to OzTAM.

Pay TV viewing in pay TV homes is highest on Saturday. All television viewing in pay TV homes is highest on Sunday.

... BY DAY, 2004, PAY TV HOUSEHOLDS



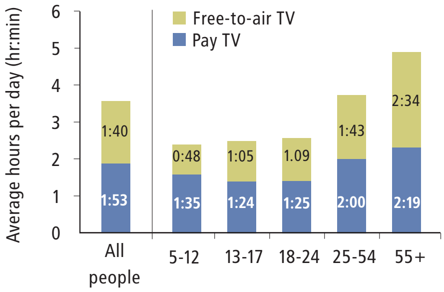
Source: OzTAM, Total Subscription TV, Total People, ASTRA website at: www.astra.org.au (Industry Overview: Research).

Viewing patterns

Although older people watch more television overall, children watch a highr proportion of pay TV.

... BY AGE

In pay TV households, older people (55+) watch the most television overall (nearly 5 hours each day in 2004) and more than two hours (47 per cent) of this is pay TV. Children (aged 5–12) watch the least TV overall (two hours 23 minutes) but a higher proportion of pay TV (67 per cent).

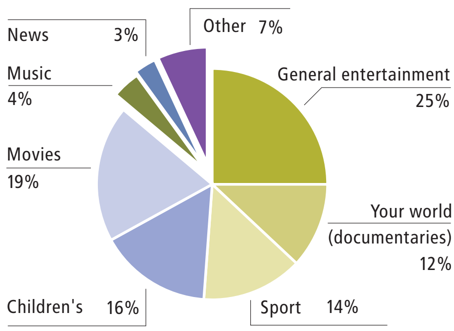


Source: Nielsen Media Research Panorama, Jan–Dec 2004, Television Review of 2004, ASTRA website at: www.astra.org.au (Industry Overview: Research); OzTAM 2004 Ratings Snapshot.

...BY GENRE

The most popular pay TV genre in 2002 was general entertainment (25 per cent of viewing), which includes Arena TV, the Comedy Channel, Fox8, fx, TV1, UKTV channels. This was followed by movies (19 per cent), children's (16 per cent), sport (14 per cent) and 'your world' (12 per cent).

SHARE OF VIEWING BY GENRE, 2002



Source: AC Nielsen, Subscription TV Trends 2002
Notes: All subscription TV homes

General entertainment includes Arena TV, the Comedy Channel, Fox8, fx, TV1, UKTV
Your World includes the Discovery Channel, the History Channel, the Lifestyle Channel, National Geographic Channel, Ovation
Sport includes Fox Sports 1 and Fox Sports 2, Fox Footy, Optus Sports 1 and Optus Sports 2, ESPN, Sky Racing
Children's includes Cartoon Network, Disney, Fox Kids, Nickelodeon
Movies includes Showtime 1 and 2, Encore, Movie One, Movie Greats, Movie Extra, Fox Classics, Hallmark
Music includes Music Max, Channel [V], MTV
News includes CNBC, BBC World, CNN, Sky News

PHOTO CREDITS

WHITE COLLAR BLUE

Peter O'Brien as *Joe* and Freya Stafford as *Harriet*

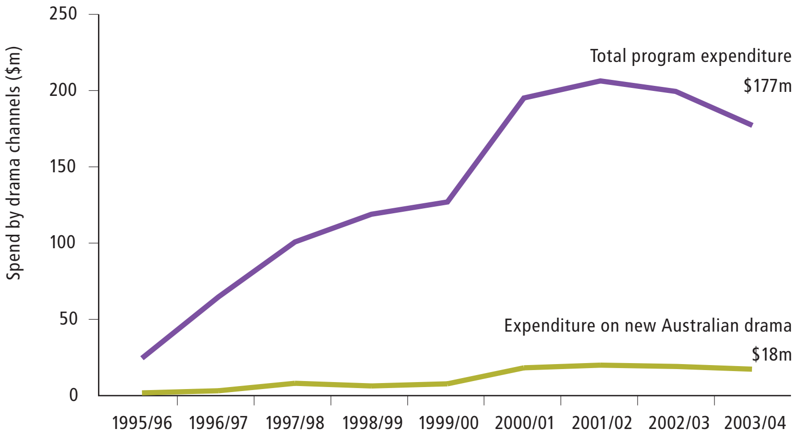
Courtesy:
Knapman Wyld Television Pty Ltd

Program expenditure

... DRAMA CHANNELS

Since 1 July 1999, licensees and channel providers who provide a subscription TV drama service have been required to spend 10 per cent of their total program expenditure on new Australian content and make up any shortfalls in the next financial year.

In 2003/04 expenditure on new eligible Australian drama programs by channel providers and pay TV licensees for the 16 pay TV drama channels totalled $17.7 million. This included payment of licence fees for investments in a range of programs such as the short films *Hooked* and *Essington*, feature film *Somersault* and TV series *McLeod's Daughters*, *Love My Way* and *The Cooks*. Investment may be in production, pre-production or for other purposes. 'Australian content' by definition includes New Zealand programs; in 2003/04 $172,775 or one per cent of the expenditure was spent on five New Zealand productions.



Source: ACMA, formerly the Australian Broadcasting Authority
Notes: Drama channels are defined as subscription broadcasting services where more than 50 per cent of programming consists of drama programs. In 2002/03 the 17 subscription TV drama services were:

Boomerang	Cartoon Network	Disney Channel	Fox 8
Fox Kids/Classic	Hallmark	Movie Extra	Movie Greats
Movie One	Nickelodeaon	Showtime	Showtme 2
Showtime Greats / Encore	Turner Classic Movies	TV1	UKTV

Pay TV data in Get the Picture Online
www.afc.gov.au/gtp

WHAT AUSTRALIANS ARE WATCHING: PAY TV

Analysis: The state of play on pay

Industry structure: Markets and ownership; Employment

Subscriber numbers: By operator; By location

Financial performance: Profitability

Drama channels: Program expenditure

Viewing patterns: Audience share; Viewers by age; By age and time of day; By genre

Top channels: By age; By gender

Electronic program guides (EPGs)

An electronic program guide (EPG) is an onscreen guide that makes it easier for viewers to choose and/or access content from among the large number of channels, pay-per-view events and so on available on multi-channel TV platforms.

An EPG can often also allow consumers to pay for events such as video-on-demand. It can keep track of favourite channels, offer a 'reminder' about favourite programs, restrict access to channels unsuitable for children, and offer a television 'search engine' that can search for types of programs or themes in programs. More advanced EPGs also offer Internet interactivity for browsing, chatting, email and so on. A 'barker channel' is similar to an EPG but is simply used to list or promote programs on other channels. EPGs are also known as 'interactive program guides' (IPGs).

In Australia, electronic program guides are currently available on the digital channels for SBS and ABC as well as the pay TV services.

Conditions are placed on electronic program guides under Australia's datacasting regime (*see page 59*). Under these conditions, if licensees use an EPG that contains information about one commercial or national television broadcasting service, they must transmit the equivalent information about the other services. National broadcasters must also provide program guide information to each other under the digital television provisions of the *Broadcasting Services Act 1992*.

Personal video recorders (PVRs)

A personal video recorder (PVR), sometimes also called a digital video recorder (DVR), records audiovisual material onto a computer-like hard disk rather than tape. This can change the way a live broadcast is viewed: a viewer can 'pause' the live broadcast on-screen while the PVR continues to record the program as it continues; then, when the viewer hits 'play' again, the PVR displays the program from the point where the live program was paused. However, the PVR doesn't allow permanent storage unless combined with a removable medium such as a DVD. Once this is possible, VCRs will eventually become obsolete.

PVRs may have a profound effect on the way people watch television over the next 10 years, as they will allow people to record a massive amount of broadcast material and replay it with great flexibility – for example, skip over advertising.

Media analyst *Screen Digest* predicts personal video recorders won't become a mass-market phenomenon internationally for at least another four years. It expects just five million European homes to have a PVR system by 2006. The figure represents around three per cent of all households with a TV and compares to an anticipated penetration rate of 14 per cent in the US.[1] However, in the long term, *Screen Digest* predicts that once combined with a DVD recorder, PVR capabilities will become a common feature of the home entertainment set-up.[2]

In the US, research firm The Yankee Group reported that it expects there to be 20 million DVRs installed in the US by the end of 2005, up from 5.6 million at the end of 2003. Another research group, the Carmel Group expects the market to grow to 28.6 million, or 25.7 per cent of all US households, by 2008.[3] TiVo, the leading DVR in the US, announced in November 2003 that it had reached one million subscribers, and had achieved US$103 million in net revenues for the 12 months ending July 31 2003.[4] TiVo is also available paired with DVD players from Toshiba and Pioneer as well as the satellite subscription service DirecTV's tuner.

In Australia, Foxtel launched Foxtel:Q, its PVR technology, in 2005. Austar will launch its service in 2006.

Edited extracts from *Flexible vision: a snapshot of emerging audiovisual technologies and services, and options for supporting Australian content*, AFC, Nov. 2003

1. Ananova.com, 'Report suggests slow take-up for personal video recorders', http://www.ananova.com/business/story/sm_649316.html?menu=, accessed 12 November, 2003
2. 'Personal video recorders: technologies compete for attention', *Screen Digest,* March 2003, p. 85
3. The Carmel Group, 'DVR Competitive Market Report', in Randall Picker 'The digital video recorder: unbundling advertising and content', *The University of Chicago Law Review*, forthcoming, http://www.law.uchicago.edu/Picker/Papers/Picker-DVR.pdf, accessed 12 November, 2003
4. 'TiVo reaches 1 million subscriptions milestone', 4 November 2003, http://www.tivo.com/5.3.1.1.asp?article=190, accessed 12 November, 2003

5

Interactive media

The past 10 years have seen the rise of a host of digital platforms, including the Internet, digital TV, broadband Internet, mobile broadband, DVDs and games consoles.

These technologies are powerful ways of distributing creative digital content in their own right. More radical, however, is the shift from a one-way flow of information to a relationship between consumer and content that is increasingly interactive.

More than 60 per cent of Australian households now have a computer, and half have Internet access – around 13 per cent via a broadband connection.

More than 70 per cent of households have at least one mobile phone and more than 30 per cent a dedicated games machine.

Fast facts

	'01	'02	'03	'04
HOUSEHOLD TECHNOLOGY				
- AT LEAST ONE COMPUTER	4.3m	4.6m (61%)	5.0m (67%)	
- INTERNET ACCESS	3.1m	3.4m (46%)	4.0 (53%)	
- BROADBAND INTERNET ACCESS	n.a.	n.a.	0.49m (6.5%)	0.98m (13.1%)
- GAMES MACHINE		2.3m (32%)		
- AT LEAST ONE MOBILE PHONE		5.4m (72%)		
TOTAL INTERNET SUBSCRIBERS				
- DIAL-UP	4.09m	4.20m	4.52m	4.44m
- NON DIAL-UP (MOSTLY BROADBAND)	0.19m	0.35m	0.69m	1.30m
VALUE OF ONLINE ADVERTISING	n.a.	$167m	$236m	$388m
RETAIL GAMES MARKET				
- HARDWARE SALES	$227.7m	$363.9m	$309.8m	$251.8m
- SOFTWARE SALES	$295.4m	$372.4m	$441.2m	$536.0m
TOP-SELLING GAMES HARDWARE	Sony PSone	Sony PlayStation 2	Sony PlayStation 2	Sony PlayStation 2 Slim Console
TOP-SELLING GAME	Pokemon Crystal	Tony Hawk Pro Skater 3	Eyetoy: Play	GTA: San Andreas (PlayStation 2)

Source: Paul Budde Communications, Australian Bureau of Statistics, CEASA, GfK Marketing Services

Interactivity and digital media

THE INTERNET AS AUDIOVISUAL DELIVERY CHANNEL

In Australia, the Internet is becoming an increasingly common way for Australians to derive much of their news, information, education and entertainment. According to the ABS, nearly 60 per cent of Australia's adult population had accessed the Internet in 2002, and there were 5.7 million Internet subscribers (including both household and business/government subscribers) in September 2004 (*see page 78*). Online data specialist RedSheriff reports that the majority of Internet users (84 per cent) have now been using the Internet for over two years, with almost half using it for more than five years. People are logging on more often and for longer, with the mean number of hours per week increasing from 5.6 to 6.5 in 2003 and those with a broadband connection using the Internet for a still greater length of time, on average 9.3 hours per week.[1]

Narrowband Internet refers to connections at speeds of 56k or less where the user dials up their service provider each time they want access to the Internet. This is still the most common type of Internet access, with 77 per cent of Australian subscribers connecting this way in September 2004.

Broadband Internet refers to an 'always on' Internet connection with an access speed of 256 kbps or higher, using broadband technologies such as cable modems, digital-subscriber lines (DSL) and satellite delivery. The proportion of Australian households with broadband Internet connection was around 13.1 per cent in 2004[2] and is predicted to increase rapidly over the next few years.

No strict boundary differentiates a broadband website from a narrowband site, except that broadband sites tend to contain content that requires a much greater rate of data transfer from the site to the user, such as high-quality streaming video and audio services. An increasing number of Australian sites are offering broadband content, including ABC Online, BigPond, Fairfax and ninemsn.

Although Internet connections are mostly used by consumers for accessing content on the World Wide Web, they can also be used for other networks, such as 'peer-to-peer' filesharing networks (*see page 87*), online gaming networks, and some video-on-demand services. Strictly speaking, the subscription TV networks (cable and satellite) are broadband technologies too, utilising telecommunications infrastructure but without connection to the Internet. In the longer term, broadband technologies are expected to challenge other forms of content delivery, such as free-to-air television, DVDs, compact discs, newspapers and proprietary electronic games stations.

	Average no. Internet sessions per month per user
Australia	42
UK	36
US homes	33
US workplaces	66

Source: Nielsen//Netratings Sept. 2005 (www.netratings.com)

INTERACTIVITY ON THE MOVE

Mobile phones are increasingly being used as a 'back-channel' for interactive television (i.e. as a way for viewers to interact with the program). Australian examples include the reality programs *Big Brother 3* and *4*, and *Australian Idol*, as well as the drama *Fat Cow Motel*. When consumers send a text message to a promoter like a TV station, it is usually billed to them at a higher price, and the broadcaster shares in the revenue generated from the messages sent.

The phone is also evolving into an audiovisual delivery platform in its own right. 2.5, third and even fourth generation (2.5G, 3G, 4G) cellular mobile services are the next generation of phone networks. Compared to 2G phones, which mainly provide telephony and basic text services, 2.5G and 3G phones have a considerably greater bandwidth available for multimedia purposes. They are, in a sense, phones merged with 'pocket computers' or PDAs (personal digital assistants). 2.5G and 3G users can send large files (which can contain video, text and audio) from phone to phone, surf the Internet, and receive streaming video and audio services (that is, broadcast-type services). In many ways, the capabilities of a 3G phone will approach that of broadband Internet access.

In Australia, Hutchinson Australia launched a 3G network in 2003 covering the major capital cities. Optus, Telstra and Vodafone have launched 3G services in 2005. IDC predicts Australia's 3G market will double in revenue

New platforms for distributing creative audiovisual content

1. RedSheriff, 2003 Internet Report (Red Sheriff is now owned and marketed under the Nielsen//Netratings brand.
2. 979,000 household b'band subs by ABS definition 2004 (ABS no. 8153); 7.47m households (ABS no. 8146)

every year between 2004 and 2008, at which time one in four Australian mobile phone users will be on a 3G network.

It is still uncertain whether 3G services will appeal to users. In its 2003 Australian Internet Report, RedSheriff (now Nielsen//Netratings) noted that 3G services had received substantial advertising and promotion campaigns since their launch in April 2003, and 45 per cent of those surveyed said they had heard of the service. However, only 14 per cent of those aware of the service had some interest in using it.

James Burge, formerly RedSheriff's research director, noted, 'A lot of people are still getting a feel for what 3G can offer and it is early days yet. The promotion of similar services on the old networks and some well-documented glitches can't have helped adoption of 3's services. Cost was the most important factor in adoption. It may not be long before heavy discounting occurs here, similar to the current situation in the UK.'

INTERACTIVE ENTERTAINMENT: THE GAMES INDUSTRY

The Australian interactive entertainment (games) market was worth $788 million in retail sales in 2004, with games software representing $536 million (*see page 82*).

PlayStation 2 (Sony), Xbox (Microsoft) and GameCube (Nintendo) are the main drivers of games revenue, and a rise in the number and popularity of Hollywood-licensed games, franchised games brands and increasingly lifelike graphics has boosted growth. Games buyers are also drawn to enhancements like Sony's new EyeToy: Groove for PlayStation 2 that lets players dance in time with artists like Elvis, Madonna and Fatboy Slim, with no controller or dance pad.

It is becoming increasingly common in the US for games to be developed in collaboration with the film industry, with actors contractually obliged to record dialogue for a spin-off game and to participate in additional filming for the development of their game characters. In Australia, a game development team from Atari spent several months on the set of the Matrix sequels while developing the *Enter the Matrix* game.

While Nintendo's Game Boy formats dominate the handheld console sector, Sony has announced a new portable game console for 2005 called PSP which will allow users to access PlayStations anywhere. Some new pocket PC games are as powerful as a desktop PC, with rich 3D graphics, fast response times and quality audio in the palm of the hand. These devices also allow for multiple-person gaming connected wirelessly.

INTERACTIVE TELEVISION

Interactive television (iTV) is basic TV enhanced by the ability to interact with or participate in the programming in some way, such as by voting, providing feedback, playing games, accessing information or choosing shots or camera angles. It can also include links to websites, electronic communication with others and online commerce through a back channel (T-commerce or television-commerce).

There are three main ways of interacting with television programming: mobile phones (and, to a lesser extent, pocket computers or PDAs), set-top box–based systems, and two-screen TV, where the television is screened in synchronicity with the Internet.

Due to the lack of suitable access infrastructure, iTV in Australia lags behind many countries such as the US and the UK. Pay TV provider Foxtel is looking to iTV as a major source of future income. Foxtel Digital was launched in 2004, with new services including enhanced programming (such as multiple camera angles of an event, action replays or sports statistics) and some interactive services, as well as near video-on-demand channels (*see page 39*).

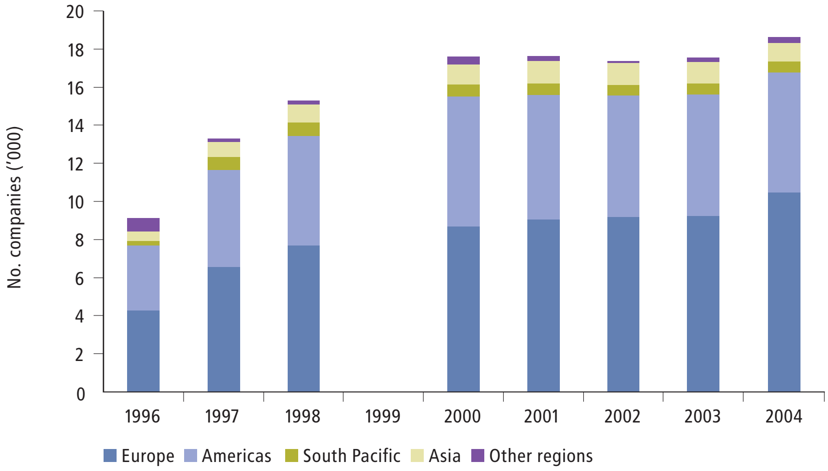
Roll-out of digital terrestrial television by the free-to-air networks has also begun. Current penetration rates of digital terrestrial television were around 10 per cent in June 2005, and this is expected to lift as free-to-air broadcasters offer new services such as iTV and more high-definition television (HDTV) programming.

... MULTIMEDIA COMPANIES

Together Europe and the Americas account for 90 per cent of all CD-ROM, DVD and multimedia companies worldwide. After almost doubling in the four years between 1996 and 2000, the number of companies levelled off at around 17,500 rising slightly to 18,550 in 2004 due to an increase in European companies.

In 2004, there were 548 Australian CD-ROM, DVD and multimedia companies (551 in 2003 and 547 in 2002), comprising 93 per cent of the South Pacific and 3 per cent of the global total. Company activities include title publishing, distribution, mastering, replication, packaging and market research.

There were 548 digital media companies in Australia in 2004



Source: Waterlow New Media Information
Notes: Data for 1999 not available.

Interactive media industry associations

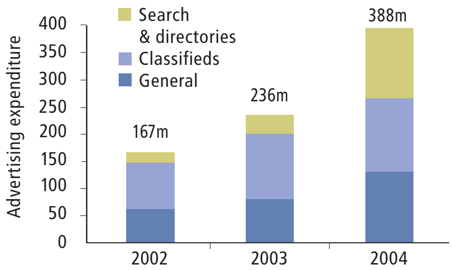
The industry association for companies involved in the marketing and distribution of games is the Interactive Entertainment Association of Australia (IEAA; www.ieaa.com.au). Its members include Activision, Atari Australia, EIDOS Interactive, Electronic Arts, Microsoft Australia, Mindscape Asia Pacific, Nintendo Australia, QV Software, Red Ant, Sony Computer Entertainment, Take 2 Interactive, THQ Asia Pacific, Ubisoft Entertainment, and Vivendi Universal Games Australia.

The Games Developers Association of Australia represents Australian games developers and is the national body representing the games industry. Members include games development studios, educational institutions with a games focus and service companies working n the games space – animation, sound, special efects. The Australian Interactive Media Industry Association (www.aimia.com.au) is the national body representing the interactive media and digital content industry more generally. AIMIA's members include major Australian players in interactive media production such as the ABC, Foxtel and ninemsn, as well as web development, games design and special effects companies.

The business of digital media

... ONLINE ADVERTISING

Online advertising in Australia totalled $388 million in 2004, an increase of 64 per cent on 2003. The 'Search and directories' category saw the highest growth, up by 85 per cent from $69 million to $127.5 million.



Source: CEASA, Online Advertising Expenditure Report for Calendar 2004, Audit Bureau of Verification Services, Audit Bureau of Circulations.

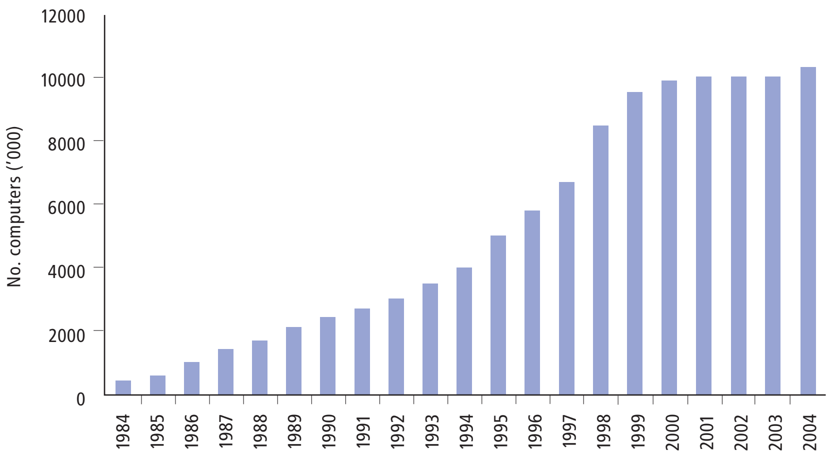
Technology

PHOTO CREDITS

Above:
FAT COW MOTEL
Kate Atkinson as *Cassie* and Brendan Cowell as *Jack*
Courtesy:
Hoodlum Entertainment

...TOTAL COMPUTERS

The personal computer has played an important role in the spread of the Internet, electronic game-playing, and digital media such as CD-ROMs and DVDs. During the 1990s, the number of computers installed in Australia rose by more than 300 per cent, reaching 9.5 million in 1999. Growth has slowed substantially in recent years, with numbers rising to 10 million in 2001 and remaining around that level since then.



Source: Paul Budde Communication

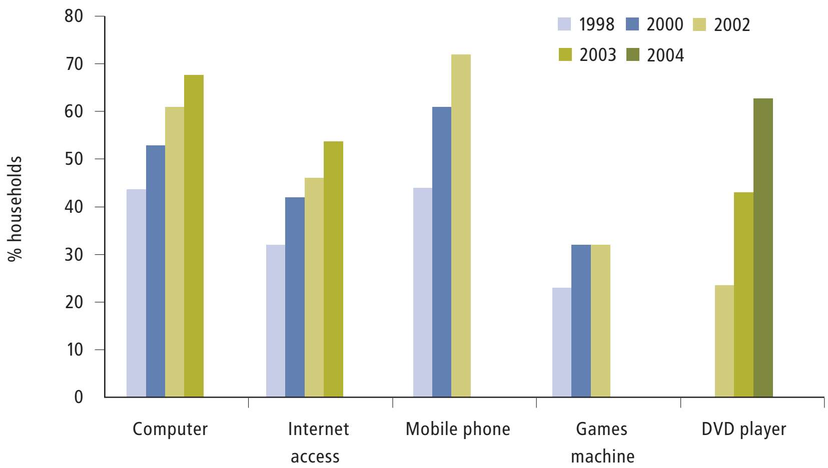
... HOUSEHOLD TECHNOLOGY

According to the ABS, there were 6.7 million computers in 5.0 million Australian households in 2003, a penetration of 67 per cent, with 23 per cent of these households having more than one machine. This represents an increase of 61 per cent in the number of computer-equipped households since 1998 (3.1 million).

The growth of home Internet access over the period was even more dramatic, up by more than 200 per cent from 1.1 million households in 1998 to 4.0 million (53 per cent of households) in 2003. Some households are more likely than others to be connected to the Internet

In 2002, 32 per cent of households had a dedicated games machine and 72 per cent had access to at least one mobile phone.

OzTAM reports the penetration of DVD players as 62 per cent in 2004, and Digital Broadcsating Australia cites 10.8 per cent for digital TV receivers as of June 2005.



Source: ABS, *Household Use of Information Technology* (cat. no. 8146.0), OzTAM

IMAGE CREDITS

Below:
KYLIE KWONG (home page)
http://abc.net.au/kyliekwong

Inset:
KYLIE KWONG (shellfish page)
http://abc.net.au/kyliekwong/ep04.htm

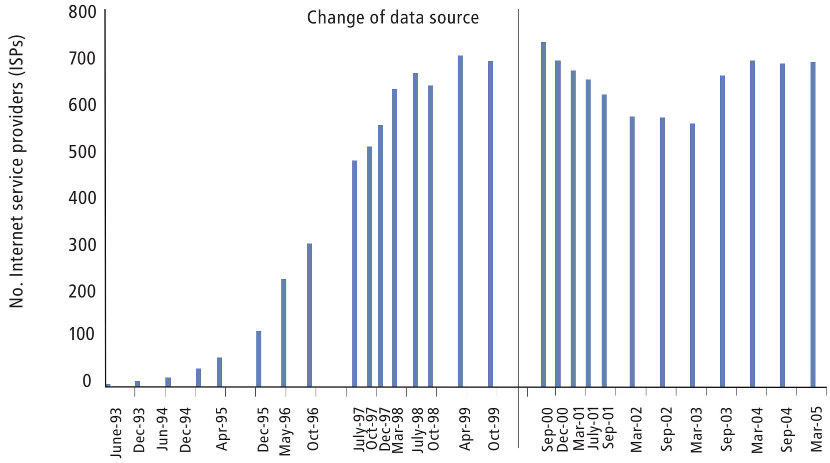
Produced by:
Cam Parner

Coutesy:
ABC New Media & Digital Services

Internet access

... SERVICE PROVIDERS

The number of Internet service providers (ISPs) in Australia increased from a base of just nine in June 1993 to peak at over 700 in 2000. Numbers then fell to below 600 in the early years of the decade, but rose again to 667 and were at 689 in March 2005, mainly due to increased coverage of the small and very small ISPs in the Australian Bureau of Statistics survey. Levels have since remained stable.

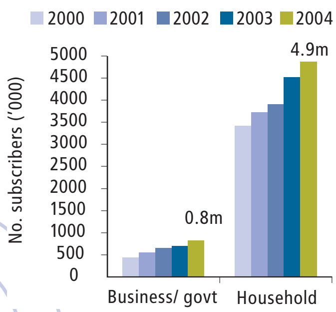


Source: June 1993 to October 1999: www.consult, *10th Australian IAP Report,* October 2000; since September 2000: ABS, *Internet Activity* (cat. no. 8153.0)

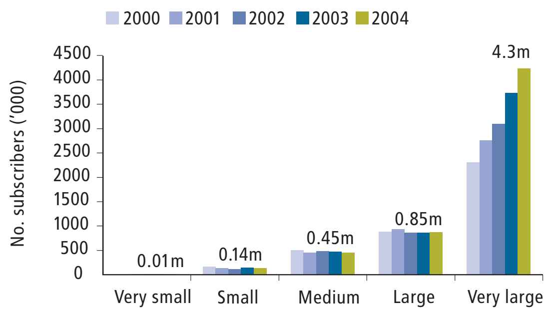
... SUBSCRIBERS

The total number of Internet subscribers in Australia grew from 3.8 million in 2000 to 5.7 million in 2004. Most of the growth over this period has been in household subscribers, up by 44 per cent from 3.4 million to 4.9 million. Growth has also been strongest among the very large ISPs, which accounted for 60 per cent of subscribers in September 2000 and 75 per cent in September 2004.

SUBSCRIBERS BY TYPE



SUBSCRIBERS BY SIZE OF ISP



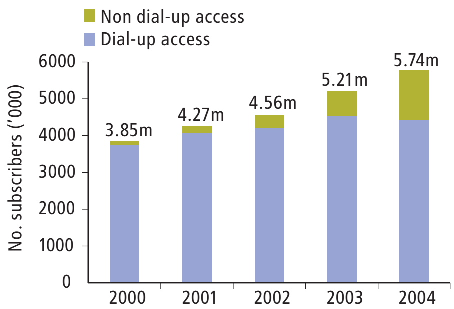
Source: ABS, *Internet Activity*, September quarters 2000 to 2003 (cat. no. 8153.0)
Notes:

Very small ISPs: less than 100 subscribers
Small ISPs: 101–1,000 subscribers
Medium ISPs: 1,001–10,000 subscribers
Large ISPs: 10,001–100,000 subscribers
Very large ISPs: 100,001+ subscribers

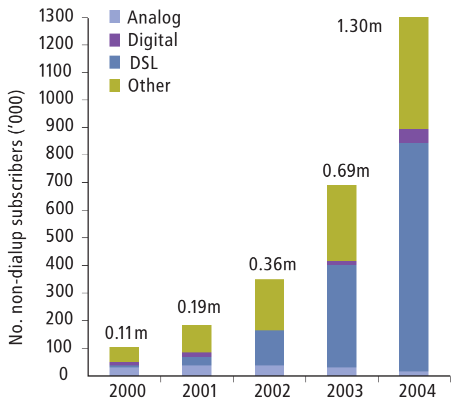
… TYPE OF CONNECTION

Most subscribers continue to use dial-up access, but the share of total subscribers using non dial-up (generally 'broadband') technology has increased from just 3 per cent in 2000 to 23 per cent in 2004. The number of subscribers with a non dial-up connection has increased from 105,000 in 2000 to 1.3 million in 2004. DSL (digital-subscriber line) recorded the strongest growth amongst the non dial-up connection technologies. See also 'Broadband access', below.

DIAL-UP AND NON DIAL-UP SUBSCRIBERS



NON DIAL-UP SUBSCRIBERS BY TYPE



Source: ABS, *Internet Activity*, September quarters 2000 to 2004 (cat. no. 8153.0)
Notes: 'Other' non dial-up technologies include cable, satellite, microwave, fixed and mobile wireless (and digital in 2001 as specific figure not available for publication)

… BROADBAND ACCESS

Data on the number of subscribers by download speed of access connection was collected for the first time by the ABS in 2003. The intention is to provide a measure of broadband uptake based on speed of access connection rather than the technology being used to deliver the connection.

The definition currently being used by the ABS defines broadband as 'an "always on" Internet connection with an access speed equal to or greater than 256 kbps'. At the end of September 2004, there were 1.3 million broadband subscribers by this definition, almost double the broadband subscribers one year earlier.

Household subscribers comprise the majority of broadband connections, with 979,000 households connected in this way in September 2004. This represents 20 per cent of households with Internet access (up from 11 per cent in 2003) and around 13 per cent of all Australian households.

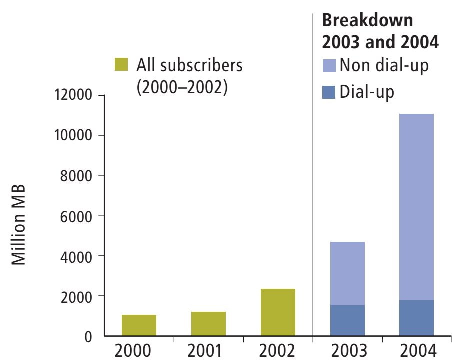
According to Nielsen//NetRatings data (based on numbers of people, rather than numbers of households), of all active Internet users within Australian homes, 28 per cent (2.1 million people) used a broadband connection in June 2005, up from just 5.9 per cent in March 2002.

Sources: ABS, *Internet Activity*, September 2004 (cat. no. 8153.0); Nielsen//NetRatings, 2005

… DATA DOWNLOADED

The average volume of data downloaded from the Internet increased across the board between 2000 and 2004, reflecting the growing popularity of broadband with its faster speeds. Recent growth has been particularly dramatic – total data downloads more than doubled between 2003 and 2004, from 4,665 million MB to 11,004 million MB.

Non dial-up subscribers accounted for 84 per cent of all data downloaded in the three months to September 2004, an average of 9,565 MB per subscriber. Dial-up subscribers averaged 392 MB per subscriber.



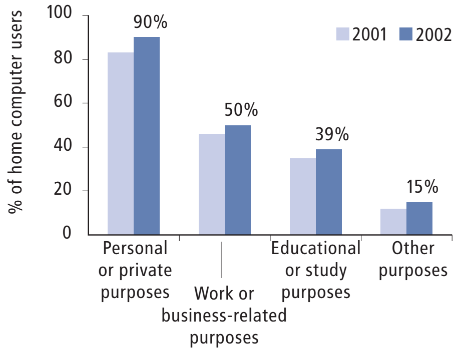
Source: ABS, *Internet Activity*, September quarters 2000 to 2004 (cat. no. 8153.0)
Notes: MB megabytes. Refers to volume of data downloaded during the three months to September each year.

Computer and Internet use

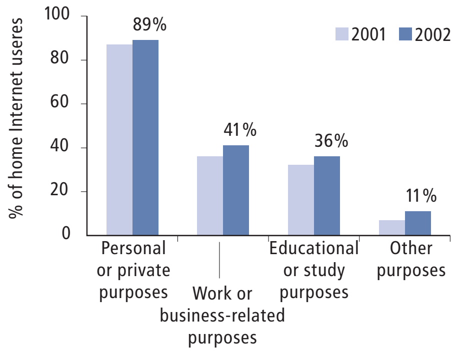
... USE BY ADULTS

Most adults (around 90 per cent) use their home computers and Internet access for personal or private purposes, while around 40–50 per cent use them for business purposes and around 40 per cent for education or study. In 2002, 23 per cent of all adults had used the Internet to pay bills or transfer funds (up from 17 per cent in 2001); 15 per cent had purchased goods or services for private use (up from 11 per cent); and 21 per cent had accessed government services for private purposes (up from 16 per cent).

COMPUTER USE



INTERNET USE



Source: ABS, *Household Use of Information Technology 2001-02* (cat. no. 8146.0)
Notes: More than one purpose may be nominated. Proportions are of people 18 years or over who used a home computer or accessed the Internet.

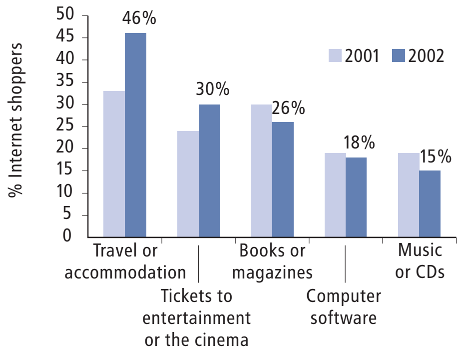
... INTERNET SHOPPING

The number of Australian adults who purchased or ordered goods or services via the Internet for private use (i.e. shopped using the Internet) rose by more than 230 per cent between 1999 and 2002. The ABS estimates that Australian adults purchased goods and services over the Internet worth at least $4 billion in 2002.

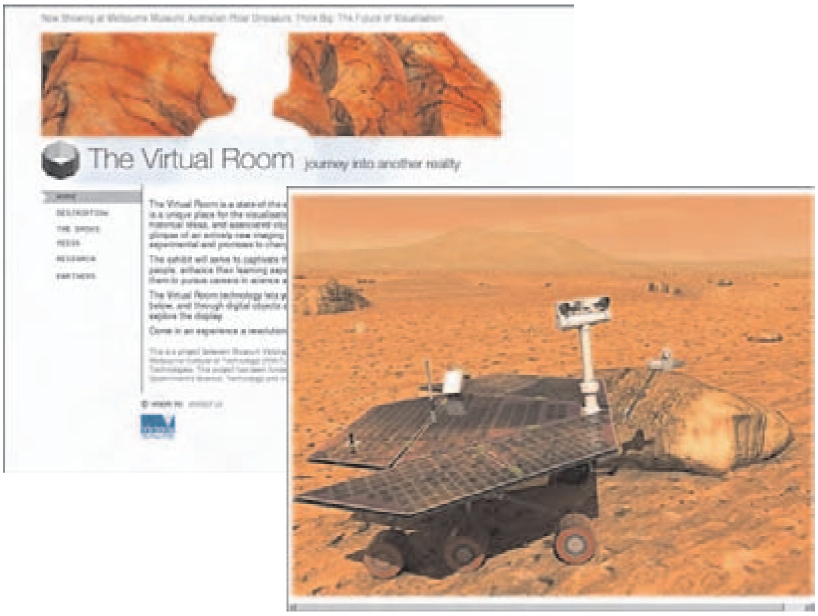
Travel or accommodation was the most common type of product purchased or ordered via the Internet in 2002 (46 per cent of Internet shoppers, up from 33 per cent in 2001). 30 per cent of Internet shoppers purchased or ordered tickets to entertainment or the cinema in 2002, up from 24 per cent in 2001, making tickets now the second most common product ordered or purchased online. Purchase or order of books/magazines declined from 30 per cent in 2001 to 26 per cent in 2002. These three categories of goods and services were clearly the most popular products purchased or ordered via the Internet.

The people most likely to shop using the Internet in 2002 were adults with a Bachelor degree or higher, with incomes of at least $40,000, aged between 25 and 34 years or residing in the ACT. Those least likely were people who were unemployed or people aged 65 years and over.

MAIN TYPES OF PRODUCTS AND SERVICES PURCHASED VIA THE INTERNET



Source: ABS, *Household Use of Information Technology* (cat. no. 8146.0)
Notes: Proportions are of all persons aged 18 or over making purchases or orders via the Internet for private use

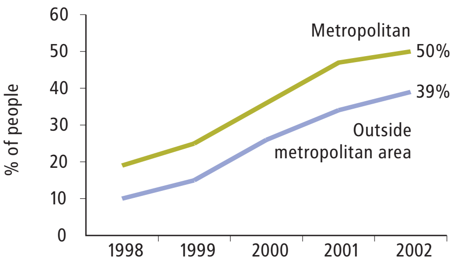


Internet users

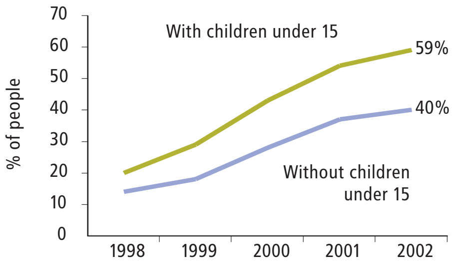
... CHARACTERISTICS OF HOUSEHOLDS WITH INTERNET ACCESS

Households in metropolitan areas are more likely to have Internet access, with 50 per cent connected in 2002, compared to 39 per cent of households outside metropolitan areas. Households with children under 15 are also more likely to have access than those without.

... BY REGION



... BY TYPE



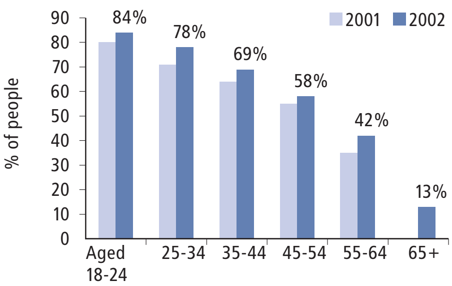
Source: ABS, *Household Use of Information Technology* (cat. no. 8146.0)

... CHARACTERISTICS OF INTERNET USERS

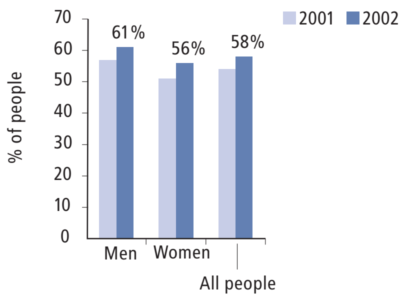
Internet use is most common among younger people, with 84 per cent of 18–24 year-olds using it in 2002, and only 13 per cent of people aged 65 and over. The rate of Internet access increased for all age groups between 2001 and 2002, particularly the 25–34 year-olds and 55–64 year-olds.

Men are slightly more likely to be using the Internet than women (61 per cent compared to 56 per cent in 2002).

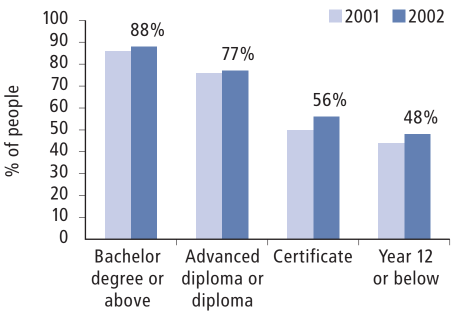
... BY AGE



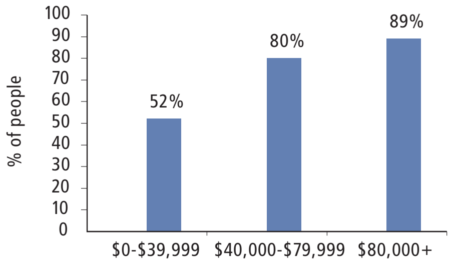
... BY GENDER



... BY EDUCATION



... BY INCOME



Source: ABS, *Household Use of Information Technology* (cat. no. 8146.0)
Notes: Proportions are of people aged 18 and over.

IMAGE CREDITS

Above:
THE VIRTUAL ROOM
Melbourne Museum
(home page)

Inset:
THE VIRTUAL ROOM 'SPIRIT'
Centre for Astrophysics and Supercomputing, Swinburne University of Technology

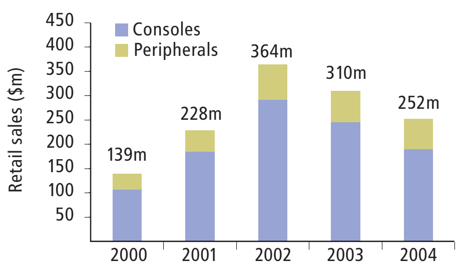
Courtesy:
VROOM Inc.

Games

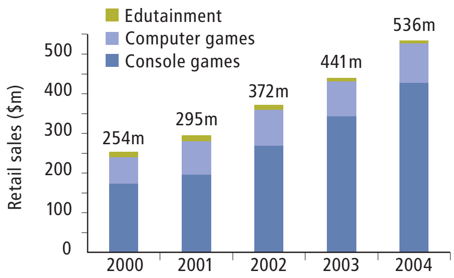
... RETAIL SALES

Reflecting world trends, games hardware sales figures in Australia slowed in 2003 and continued to do so in 2004. Competition from the introduction of the next generation of console products has lowered prices for hardware. Overall software figures continued to climb, however, lifting the total retail value of the industry to its highest since 2000, from $393 million that year to $788 million in 2004.

HARDWARE



SOFTWARE

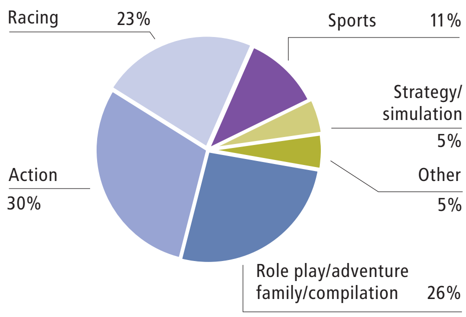


Source: GfK Marketing Services

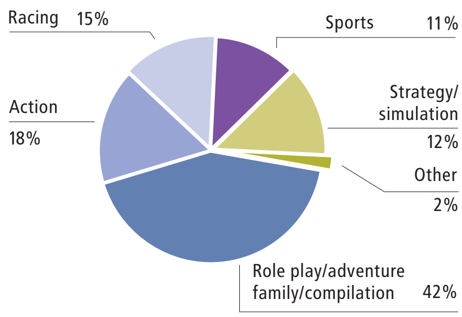
... GAMES SOFTWARE BY GENRE

Role play/adventure/family games accounted for the most units sold in 2004 (42 per cent), a greater share than in 1998 (26 per cent). Compared with 2003 figures, action and racing games increased slightly in 2004 with sports and strategy/simulation games dropping slightly.

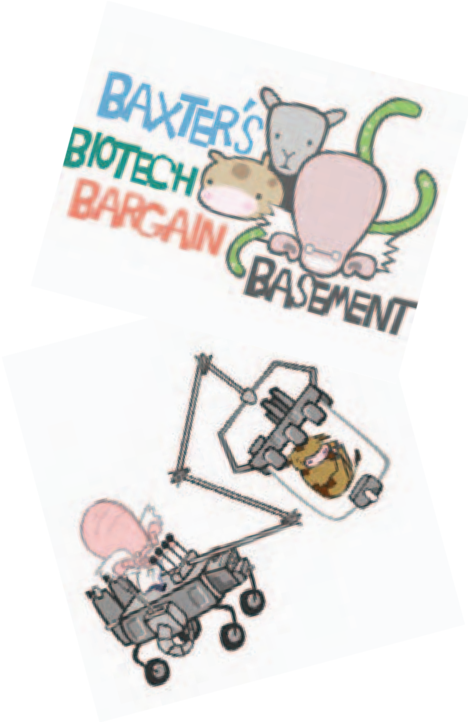
1998



2004

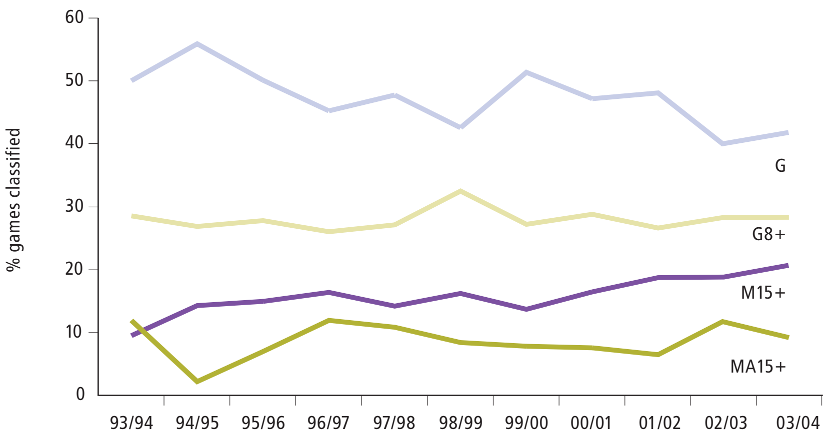


Source: GfK Marketing Services
Note: Share is by retail units sold.



... GAMES SOFTWARE BY CLASSIFICATION

Most games are rated G or G8+.



Source: Office of Film and Literature Classification Annual Reports
Notes:
Classification categories: G and M are advisory categories; MA is legally restricted.

G	General (suitable for all ages)
G8+	General (suitable for children 8 years and over)
M15+	Mature (suitable for persons 15 years and over)
MA15+	Restricted to persons 15 years and over

IMAGE CREDITS

Above:
BAXTER's BIOTECH BARGAIN BASEMENT

Produced by: Bundle Creative Solutions with the assistance of the ABC & Film Victoria Multimedia Production Accord

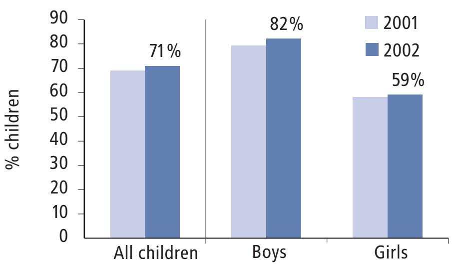
Courtesy:
ABC/Bundle Creative /Film Victoria

Game playing

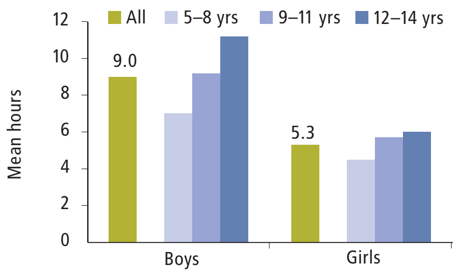
... CHILDREN

According to a 2003 ABS survey, more than seven in 10 children (71 per cent) had played electronic or computer games outside of school hours during a school term in April 2003. Boys were more likely to have played games than girls (82 per cent and 59 per cent, respectively), and boys played for longer – an average of 9.0 hours per fortnight compared with 5.3 hours for girls. Duration of playing also increased with age.

PLAYING GAMES 2002, 2003



AVERAGE TIME OVER TWO-WEEK PERIOD, 2003



Source: ABS, Children's Participation in Cultural and Leisure Activities (cat. no. 4901.0)
Notes: During the two school weeks prior to interview in April each year.

Top games hardware

2002

Rank	Model	Brand
1	PlayStation 2	Sony
2	Xbox	Microsoft
3	Xbox Console Entertainment Pk	Microsoft
4	PSone	Sony
5	Game Boy Advance – Glacier	Nintendo
6	Game Boy Advance – Indigo	Nintendo
7	Game Boy Advance – Black	Nintendo
8	Game Boy Advance – Platinum	Nintendo
9	GameCube – Indigo	Nintendo
10	GameCube – Jet Black	Nintendo

2003

Rank	Model	Brand
1	PlayStaton 2 Console	Sony
2	Xbox Console	Microsoft
3	Xbox Beast Pack	Microsoft
4	Game Boy Advance SP Platinum	Nintendo
5	Game Boy Advance SP Cobalt	Nintendo
6	PlayStaton 2 Starter Pack	Sony
7	Game Boy Advance Platinum	Nintendo
8	PSone Console	Sony
9	Game Boy Advance SP Onyx	Nintendo
10	PlayStation 2 + Eyetoy: Play	Sony

2004

Rank	Model	Brand
1	PlayStaton 2 Slim Console	Sony
2	Xbox Console	Microsoft
3	PlayStation 2 Console	Sony
4	Xbox Ultimate Entertainment Pack	Microsoft
5	PlayStation 2 Silver + 1 Ctlr	Sony
6	Game Boy Advance – SP Platinum	Nintendo
7	PlayStation 2 Silver + 2 Ctlr	Sony
8	Game Boy Advance – SP Cobalt	Nintendo
9	Game Boy Advance – SP Flame	Nintendo
10	Game Boy Advance – SP Onyx	Nintendo

Source: GfK Marketing Services
Note: Ranked by units sold.

Top games software

2002

Rank	Game	Brand
1	Tony Hawk Pro Skater 3	PlayStation 2
2	Gran Turismo 3 A-spec	PlayStation 2
3	V8 Supercars Race Driver	PlayStation 2
4	Gran Turismo 3	PlayStation 2
5	Medal of Honour Frontline	PlayStation 2
6	Halo	Xbox
7	Grand Theft Auto: Vice City	PlayStation 2
8	Harry Potter and the Chamber of Secrets	PlayStation
9	Grand Theft Auto 3	PlayStation 2
10	Platinum Gran Turismo 2	PlayStation

2003

Rank	Game	Brand
1	Eyetoy: Play	PlayStation 2
2	Grand Theft Auto: Vice City	PlayStation 2
3	Gran Turismo 3 Platinum	PlayStation 2
4	V8 Supercars Platinum	PlayStation 2
5	Pokemon Ruby	Game Boy Advance
6	Pokemon Sapphire	Game Boy Advance
7	Crash Brand 5: Wrath Cortex Platinum	PlayStation 2
8	Need for Speed: Underground	PlayStation 2
9	Rugby League	PlayStation 2
10	Enter the Matrix	PlayStation 2

2004

Rank	Game	Brand
1	GTA: San Andreas	PlayStation 2
2	Halo 2 Limited Collector's Edition Tin	Xbox
3	Need for Speed: Underground 2	PlayStation 2
4	Halo 2	Xbox
5	Simpson's Hit and Run Platinum	PlayStation 2
6	Need for Speed: Underground Platinum	PlayStation 2
7	Ratchet and Clank Platnium	PlayStation 2
8	V8 Supercars 2	PlayStation 2
9	SingStar	PlayStation 2
10	GTA Twin Pack	Xbox

Source: GfK Marketing Services
Note: Ranked by units sold.

Sony's PlayStation 2 remained the leading console in 2004 in terms of both hardware and software sales.

Interactive media data in Get the Picture Online www.afc.gov.au/gtp

UPDATED MARCH/APRIL EACH YEAR

Information industry:
Companies; Digital media trade; Online Advertising.

Digital hardware:
Total computers; Household Technology

Internet access:
Service providers; By size; Business and household subscribers; By state;
Dial-up vs broadband; Speed of connection; Data downloaded.

Focus:
Bandwidth: More data, more quickly.
Use of the Internet by the Australian film and TV industry.

Computer and Internet users:
Number of Internet users; Location of Internet access; Frequency of use;
Home use by adults; By children.
Internet shopping: Number shoppers: Types of purchases.
Internet user characteristics: Households: Metropolitan vs regional, with and without children.
Users: Gender; age; education; income.

Games:
Wholesale sales; Retail sales; Hardware by capacity;
Software by genre; By country of origin; By classification.

Top games:
Top-selling hardware;
Top-selling titles: 1998, 1999, 2000; 2001; 2002; 2003; 2004; AVSDA awards.
Game playing households: Household characteristics; Children's game playing;
Time played.

File-sharing networks

'Peer-to-peer' (P2P) networks are essentially sophisticated private communications networks capable of distributing audiovisual material or computer programs via the Internet. Material is stored on individual computers in a shared file and accessed by other users on the network.

Such networks raise serious concerns about intellectual property piracy. However, they also have the potential to provide new distribution channels for copyright-free and legitimate, paid-for material. Napster, the most widely known file-sharing service, was sued by the Record Industry Association of America (RIAA) in 1999 for copyright infringement. After court battles and financing from BMG, software company Roxio bought Napster's technology and name and relaunched Napster 2.0 as a legitimate subscription-based service.[1]

Other P2P file-sharing programs include KaZaA, owned by Australian-based Sharman Networks (www.kazaa.com), Gnutella (www.gnutella.com), Limewire (www.limewire.com), and WinMX (www.winmx.com).

According to IDATE, P2P networks accounted for 60 billion downloaded files in 2003 including 45 billion images, 12 billion audio files and 87 million films.[2] The US is the world's largest file sharer, followed by Japan and Europe. Jupiter Research reports that 13 per cent of adults who use the Internet also use Napster-style P2P file-sharing networks such as KaZaA.[3] Furthermore, file-sharing in Europe is growing, with over 75 per cent of broadband subscribers using P2P networks at least once a month.[4] The British Broadcasting Corporation (BBC) announced in 2003 that it was examining ways to make its back catalogue archives available for P2P file-sharing over the Internet.[5]

KaZaA announced in May 2003 that it had become the most downloaded software in the world, overtaking the previous record-holder, instant message software ICQ, by reaching 230,309,616 downloads. Licensed files, including music, movies, games and software, are made available over its network, which claims that upwards of 20 million licences are acquired by KaZaA Media Desktop users per month.[6]

According to *The Age*, 6 December 2005, the Federal Court ruled in September 2005 that KaZaA had facilitated copyright infringement. Sharman Networks was given until 5 December 2005 to install keyword filtering software. At that time the company chose instead to shut down its Australian operations, anticipating an appeal in 2006.

Source: *Flexible vision: a snapshot of emerging audiovisual technologies and services, and options for supporting Australian content*, AFC, Nov. 2003, and updates.

See also *Eye on the future* sections in:
Video industry: *Video-on-demand (VOD) and pay-per-view (PPV), page 39*
Free-to-air TV: *Free-to-air multi-channelling; Datacasting, page 59*
Pay TV: *Electronic program guides (EPGs), Personal video recorders (PVRs), page 70*

1. 'Napster grows up', *MercuryNews.com*, October 29, 2003
2. IDATE, 'Making the most of peer-to-peer', October 2003,
3. 'Jupiter Research, April, 2003,
4. Jane Wakefield, 'File-sharing dilemma for broadband firms' http://news.bbc.co.uk/1/hi/technology/2745445.stm
5. 'BBC investigates P2P for archives', *Screen Digest*, October 2003, p. 290
6. 'KaZaA Media Desktop sets most downloaded software record' KaZaA Media Release, May 2003,

Research sources

The AFC is grateful for the generous, prompt and patient assistance of the following individuals and organisations in the compilation of the Australia's Audiovisual Markets.

ACNielsen EDI: Filmsource

Australian Broadcasting Corporation (ABC)

Australian Bureau of Statistics (ABS):
- Census of Population and Housing
- Household Technology and Internet Surveys
- National Centre for Cultural and Recreation Statistics
- Service Industries Surveys

Australian Communications and Media Authority, formerly the Australian Broadcasting Authority

Australian Subscription Television and Radio Association (ASTRA)

Australian Visual Software Distributors Association (AVSDA)

Blockbuster Video

Digital Broadcasting Australia (DBA)

Games Developers Association of Australia (GDAA)

GfK Marketing Services

Scott McQuire

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Motion Picture Distributors Association of Australia (MPDAA)

Network Ten

Nielsen Media Research

Nielsen//Netratings

Nine Network

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OzTAM Pty Ltd

Paul Budde Communication

Seven Network

Special Broadcasting Service (SBS)

Val Morgan

Waterlow New Media Information

Thanks also to the producers, production companies, distributors and other organisations who provided the many images that enliven and enrich this book.

Abbreviations

Abbreviations

$	Australian dollar
ABA	Australian Broadcasting Authority
ABC	Australian Broadcasting Corporation
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACMA	Australian Communications and Media Authority
ACT	Australian Capital Territory
AFC	Australian Film Commission
AIMIA	Australian Interactive Multimedia Industry Association
ASTRA	Australian Subscription Television and Radio Association
AVRA	Australian Video Retailers Association
AVSDA	Australian Visual Software Distributors Association
BBC	British Broadcasting Corporation
BCC	Birch Carroll & Coyle
BVI	Buena Vista International
CEASA	Commercial Economic Advisory Service of Australia
CHAMP	Castle Harlan Australian Mezzanine Partners
DBA	Digital Broadcasting Australia
DCI	Digital Cinema Initiatives
DCITA	Department of Communications, Information Technology and the Arts
DSL	digital-subscriber line
DVD	digital versatile disk
DVR	digital video recorder (see also PVR)
EPG	electronic program guide
GDAA	Games Developers Association of Australia
GDP	Gross Domestic Product
GST	Goods and Services Tax
GU	Greater Union
HDTV	high-definition television
IDATE	Institut de l'Audiovisuel et Télécommunications en Europe
IEAA	Interactive Entertainment Association of Australia
ISDN	Integrated Services Digital Network
ISP	Internet service provider
iTV	interactive television
m	million
MPDAA	Motion Picture Distributors Association of Australia
n.a.	not available
n.p.	not for publication
NSW	New South Wales
NT	Northern Territory
OFLC	Office of Film and Literature Classification
P&A	prints and advertising
PBL	Publishing and Broadcasting Ltd
PPV	pay-per-view
PVR	personal video recorder
Qld	Queensland
RIAA	Record Industry Association of America
SA	South Australia
SBS	Special Broadcasting Service
SBSI	SBS Independent
SDTV	standard-definition television
SPAA	Screen Producers Association of Australia
Tas.	Tasmania
TVC	TV commercial
UGC	UnitedGlobalCom
UIP	United International Pictures
UK	United Kingdom
USA	United States of America
VCR	video cassette recorder
VOD	video-on-demand
Vic.	Victoria
WA	Western Australia

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